

FINANCIAL TIMES

هكزا من النجلى

Facing the past

It is easier to be German or British than Swiss

Personal view, Page 8

Robotics

Workers displaced on construction sites

Technology, Page 6

Spanish tourism

Euro may threaten competitiveness

Preparing for Emu, Page 2

South East Asia

Will currency crises upset political stability?

Page 9

Bic threatens legal action to stop Sheaffer buy-out

French pens, lighters and razors group Bic threatened legal action after top managers from Sheaffer, the US-based fountain pen manufacturer, made a buy-out offer which risked scuppering Bic's takeover bid for the business. Bic said Sheaffer had entered an agreement to sell the business to its own management, which breached the contract Bic had already signed to acquire the US company. Page 11

No early fall in French jobs likely: French finance and industry minister Dominique Strauss-Kahn indicated he did not expect a significant reduction in the country's high unemployment until the second half of next year. Page 2

JCB to make lift trucks: UK construction equipment maker JCB is to enter the industrial lift truck business. Chairman Sir Anthony Bamford promised a "full frontal" assault on the 25bn a year world market dominated by German, US and Japanese companies. Page 14

Germany moves to open power market: Germany took a step towards liberalising its electricity market when the country's utilities agreed rules which could pave the way for suppliers to use competitors' networks. Page 2

Haughey faces prosecution: Former Irish prime minister Charles Haughey faces the prospect of prosecution for repeatedly lying to a public tribunal set up to investigate a leading Irish businessman's payments to politicians. Page 2

Hutchison acts to stop port bids: Hutchison Whampoa is to take legal action to stop the Philippine authorities from reopening the bidding for the privatisation of the Subic Bay container terminal. The Hong Kong conglomerate was poised to sign the lucrative contract in January when Philippine president Fidel Ramos (above) ordered a re-run of the bidding on the grounds that tendering rules had been violated. Page 10

Bosnia's army told to keep out: Bosnian Serb president Biljana Plavsic told the army command to keep out of her power struggle with hardline nationalists loyal to the former president and indicted war crimes suspect, Radovan Karadzic. Page 2

Euro worries Spain's tourist industry: Spain's tourist industry is worried that monetary union will mean higher costs and increased rivalry from countries still able to use exchange rates as a competitive instrument. Page 2

Congo businessman arrested: Jose Endundo, head of the Congo's business federation, was arrested in the capital Kinshasa, business associates said. Mr Endundo is also chairman of the successful national airline, Congo Airlines. Page 4

Joint TV approach planned: PerfectTV, Japan's first multi-channel digital satellite broadcaster, and JskyB, the joint venture between Rupert Murdoch's News Corporation, Sony, Fuji TV and Softbank, hope to offer users access to their programmes by using common receiver equipment. Page 11

PolyGram to expand US labels: PolyGram, the world's largest music group, is expected to place Mercury Records chairman Danny Goldberg in charge of an expanded group of US record labels as part of the reorganisation of its North American music interests. Page 11

Japanese bond yields fall: Japanese bond yields fell to a record low in Tokyo amid fresh uncertainty about the direction of the economy. The 10-year benchmark government bond dropped to 2.035 per cent during the day's trading, after recording a steady decline during last week. Page 3

Sentrachem takes revised offer: South African chemicals producer Sentrachem accepted a revised takeover offer of close to R2.5bn (\$540m) from US multinational Dow Chemical. The deal is set to become the largest foreign investment in South Africa. Page 11

Seoul to aid banks: South Korea announced a \$3.9bn aid package to help the country's banking sector following a string of large business collapses. Page 3

South Africa's GDP rises 2.2%: South Africa's gross domestic product increased by 2.2 per cent in the first half, helped by annualised growth of 2.6 per cent in the second quarter, official figures show. Page 4

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Federal Funds 5.75%
3-mo T-bill 5.24%
Long Bond 6.81%
Yield 6.81%

GOLD
New York Comex \$324.5 (28.2)
Aug \$324.5 (28.2)

STERLING
New York headline \$ 1.80825
New York close \$ 1.81933
FF 6.12965
SF 1.4978
Y 118.5

EURO
Tokyo close Y 118.25
London markets closed

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Kohl snubs calls for shake-up of cabinet

Chancellor to meet finance minister to resolve differences

By Peter Norman in Bonn

Helmut Kohl, the German chancellor, yesterday rejected a shake-up of his cabinet before next year's general election, in a bid to stop the growing crisis in his government.

But Mr Kohl's action to reassert his authority over his quarrelsome three-party coalition only highlighted his differences with Theo Waigel, finance minister and leader of the Christian Social Union, the Bavarian party that provides a 50-strong troop of government MPs in Bonn.

Mr Kohl, on his first day at work after the summer break, moved swiftly to stifle the debate over his cabinet. The controversy was unleashed by Mr Waigel's recent calls for a reshuffle and his declaration that he wants another job after the election.

In an interview with the ZDF television channel and in today's Bild newspaper, Mr Kohl said talk of a reshuffle was "completely unnecessary" and "greatly damaging" for the government, the coalition and the two Christian parties that account for most of its members.

Looking grumpy and uncomfortable, Mr Kohl agreed in the television interview that there would be discussions about compensating Mr Waigel's CSU for the loss of one of its four cabinet posts when, at the end of this year, the post and telecommunications ministry is closed.

But this, the chancellor insisted, would not amount to a reshaping of the cabinet, along the lines urged by Mr Waigel, to brighten the government's prospects in the September 1998 election. "I have no intention of changing the cabinet," Mr Kohl said, adding: "It will not be put under pressure."

Mr Kohl made no effort to conceal his irritation with Mr Waigel's actions. But he insisted that the Bavarian CSU leader would be finance minister until the election, to push ahead with Emu and tax and other reforms.

However, there was no sign yesterday that Mr Waigel, who has been one of Mr Kohl's closest allies since becoming finance minister more than eight years ago, was giving up his campaign.

In an interview in Germany's Focus magazine, Mr Waigel said he was "certain" Mr Kohl would back his call for a cabinet shake-up. Aides said later he was sticking to his position despite the chancellor's remarks. The two men telephoned each other yesterday, after the chancellor gave his interviews, and agreed to meet this week to try and resolve their differences.

Meanwhile, Bernd Protzner, CSU general secretary, reaffirmed the party's stance that the coalition must be "strengthened" ahead of the federal and state elections next year. He also said that the "weight and representation" of the CSU in the government must be maintained after the departure of Wolfgang Botsch, the post minister.

The disarray in Mr Kohl's government came as a welcome boost for the Social Democratic and Green opposition parties.

Oskar Lafontaine, the SPD leader, said the government was showing signs of breaking up. He blamed Germany's failure to progress with economic reforms on differences between Mr Kohl's Christian Democratic Union, the CSU and the liberal Free Democrat party, the third coalition member.

Jürgen Trittin, a leader of the Greens, called for early elections, arguing that 13 months of inactivity until the poll on September 27 next year would be a betrayal of Germany's millions of jobless.

Editorial Comment, Page 9

Krenz jailed for Cold War killings



Egon Krenz, former East German communist leader, in court in Berlin yesterday where he was sentenced for the killing of refugees trying to flee over the Berlin Wall. Report, Page 10

BT drops escape clause to safeguard MCI merger deal

By Clay Harris in London

British Telecommunications has agreed not to withdraw or revise its new \$23bn merger deal with MCI Communications even if a further surprise emerges in the US company's fortunes.

An amended merger agreement which has been filed with the US Securities and Exchange Commission leaves out a "material adverse change" clause that was in the original deal. The UK company has also agreed to pay MCI \$750m in damages if BT's shareholders fail to approve the revised terms.

Last week, BT forced MCI to accept a price cut of more than 15 per cent on terms agreed nine months ago. This followed a warning by the US long-distance operator in July

of large losses it expected to incur in its expansion into the local telephone market. Executives of both companies said on Friday that the revision was necessary because of rapidly changing conditions in the US telecoms market.

The two companies have also taken steps to defeat any revolt by MCI shareholders perturbed by the lower price or by BT investors who might have new doubts about the merits of the merger.

The revised terms will require the approval of only 50 per cent of BT's shareholders.

ers voting at an extraordinary general meeting due to be held in November or December. That is a reduction from the 75 per cent needed - and easily surpassed with 98 per cent approval - in April before MCI made its profits warning about local telephone services.

BT will vote in the same ballot as other shareholders and has committed its 18.7 per cent stake to backing the deal. Previously, BT voted its shares in a separate ballot.

With litigation being threatened, a decision on the purchase of 10 medium-capacity long-range (MCLR) jets, with an option on a further 13 aircraft, was deferred earlier this month, continuing a long series of reviews of offers from Boeing and Airbus.

Industry executives expect a final decision within the next two months.

Boeing is offering its 777 jet while Airbus is negotiating the sale of its A-340 aircraft. Air India currently flies a fleet of 31 jets - 20 Boeing

Air India contract may hinge on offset investment

By Mark Nicholson in Calcutta

India is likely to insist on substantial "offset" investment in the country's aerospace industry as part of an expected \$2bn-\$3.5bn aircraft order for Air India, the state carrier.

Boeing and Airbus, the rival US and European aircraft groups, are vying for the contract, which has been under negotiation for more than three years.

Krishnaswamy Nair, chairman of Hindustan Aeronautics (HAL), the state defence aviation and aerospace group, said the group would seek "work to make doors, tail structures, wings or parts of the fuselage, or maybe computer software co-operation" from Boeing or Airbus.

India has not previously insisted on such investment for similar big aircraft orders, but Mr Nair said government thinking on offset investments had "hardened" following intensive lobbying from HAL.

HAL, which already has component supply agreements with both Boeing and Airbus, would be the expected beneficiary of any such offset investment.

Mr Nair said: "India has not been insisting on offsets like Korea, China or Indonesia. We've always had a counter-trade component in such deals, but these are not really good enough. So we've been persuading the government and the government agreed that offset should be stipulated."

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Florida agrees \$11.3bn tobacco industry deal

By Mark Suzman in Washington

Florida yesterday agreed to accept payment of \$11.3bn over the next 25 years from five tobacco companies involved in the settlement, becoming the second US state to reach a settlement with the industry.

Much of the money will be used to defray the costs of treating smoking-related illnesses.

The agreement, reached in negotiations between state officials and industry lawyers late on Sunday night, follows a similar \$3.6bn deal made by Mississippi last month, and ends a lawsuit currently under way in the state. As a court-enforced settlement, it does not require legislative approval and takes effect immediately.

Florida had demanded a \$12.8bn payment in pre-trial talks, but Lawton Chiles, state governor, said the final agreement represented a victory because it included tough restrictions on advertising and required the release of confidential industry documents.

"The tobacco industry has conceded defeat and we have a settlement of historic proportions," he said.

Representatives from the tobacco companies involved in the settlement were a "covert demonstration" that the industry was prepared to co-operate with government and public health authorities to prevent under-age smoking.

Yesterday's deal would be largely superseded if a proposed \$368.5bn national settlement between states and the industry currently being considered by the White House and Congress becomes law. However, both Mississippi and Florida will receive industry payments regardless of whether the national deal receives legislative approval.

Texas, the next state with an anti-tobacco lawsuit scheduled to come to trial, is also expected to reach a settlement with the industry. However, Minnesota, which follows in January, is more likely to insist on a jury trial if no national settlement has yet been agreed.

President Bill Clinton is known to have reservations about several elements of the broader settlement, particularly proposed restrictions on the right of the Food and Drug Administration to regulate tobacco.

However, over the weekend Michael Moore, Mississippi attorney general and a leading architect of the deal, suggested that tobacco firms were willing to compromise on FDA regulation. Although his remarks were later played down by industry lawyers, Mr Moore said the companies had agreed to modify a requirement that the FDA prove the existence of a black market in cigarettes before imposing new regulations.

A White House spokesman said yesterday that an administration review of the proposed settlement was nearly complete and would be presented to Mr Clinton after he returned from holiday next month.

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Tribunal investigating payments condemns former Irish PM for 'untrue' statements

Haughey faces prosecution over 'lies'

By Kieran Cooke in Dublin

Charles Haughey, the former prime minister of Ireland who has dominated much of the country's political life over the past 20 years, faces the prospect of prosecution for repeatedly lying to a public tribunal set up to investigate a leading Irish businessman's payments to politicians.

In a 112-page report the tribunal, headed by Justice Brian MacCracken, describes as "unacceptable" Mr Haughey's repeated earlier denials of receiving £1.3m (\$1.91m) in payments from Ben Dunne, the former head of one of Ireland's leading supermarket groups.

Mr Haughey eventually admitted receiving such payments shortly before he appeared before the tribunal in mid-July.

The report, published yesterday, says many of the statements made under oath by Mr Haughey at his appearance before the tribunal were also "unacceptable and untrue".

Furthermore it says Mr Haughey deliberately sought, at a time when he was Taoiseach (prime minister), to deceive Ireland's tax authorities in regard to such payments.

"It is not for the tribunal to determine whether Mr Charles Haughey should be prosecuted... However, the tribunal considers that the circumstances warrant the

papers in the matter being sent to the Director of Public Prosecutions for his consideration as to whether there ought to be a prosecution, and the tribunal intends to do so."

The tribunal also condemned Michael Lowry, a former minister of transport, for entering into an unorthodox business relationship with Mr Dunne and for evading taxes.

Bertie Ahern, Ireland's prime minister who served as one of Mr Haughey's most faithful lieutenants up to the former Taoiseach's retirement in 1992, said he found many of the report's findings deeply disturbing.

During a political career spanning more than four decades Mr Haughey - often referred to as "The Boss" or "The Squira" - acquired a 12-bedroom Georgian mansion set in 300 acres on the outskirts of Dublin, an island off the coast of County Kerry, a luxury yacht, a stud and racehorses, cellars of fine wine and a valuable collection of Irish art.

In his evidence to the tribunal the former prime minister said he was too busy with affairs of state to live a lavish lifestyle.

He said that since the mid-1980s all decisions relating to financial outgoings, including household costs amounting to £24,000 a month, were made by a business friend.

This, says the tribunal, was "quite unbelievable" as was Mr Haughey's denial of any knowledge of secret accounts in his name in the Cayman Islands.

While the tribunal found no evidence that political favours were granted in return for the payments made by Mr Dunne, such gifts to Mr Haughey or to any other member of parliament were "quite unacceptable".

"It is even more unacceptable that Mr Charles Haughey's whole lifestyle should be dependent upon such gifts, as would appear to be the case. If such gifts were to be permissible, the potential for bribery and corruption would be enormous."

President Boris Yeltsin yesterday deepened the intrigue surrounding the surprise re-organisation last week of Russia's multi-billion dollar arms trade, a business he described as "too juicy".

In throw-away comments in between Kremlin meetings, Mr Yeltsin hinted that the abrupt dissolution last week of Rosvooruzheniye, the state weapons trader, and the dismissal of Alexander Kotelnik, its boss, were part of a shadowy corruption scandal.

"On the whole, he set the business fairly well on its way, but there were some violations," Mr Yeltsin said of the sacked Mr Kotelnik, who only a few days before had been warmly praised by the president.

But the president said that the arms traders' job had been "too juicy, too attractive" and that the government had been forced to sack him. The president's words appeared to confirm suspicions that the re-organisation was a Kremlin effort to assert more direct control over the vast sums of money that pass through Rosvooruzheniye.

Presiding over one of the few sectors of the Russian economy to have prospered following the collapse of communism, company officials estimated that Rosvooruzheniye's order book would be worth more than \$10bn by the end of this year. *Christina Freedland, Moscow*

EUROPEAN NEWS DIGEST

Yeltsin hints at arms scandal

■ MEDIA GROUP PROBE

Kirch in tax investigation

German authorities confirmed yesterday that Kirch Group, one of the country's biggest media companies, is being investigated for alleged tax evasion in a probe which resulted in police raids last week in Switzerland on 12 companies and private homes.

Peter Schlicht, a state prosecutor in Munich, said the Swiss authorities were asked to assist in an investigation believed to be linked to a DM530m (\$280m) sale seven years ago of a package of more than 2,000 films to Otto Beisheim, a German retailing billionaire who lives in Zug. Soon afterwards the films were re-sold for DM1.6m to two German television stations in which the Kirch family has shareholdings.

The deal with Mr Beisheim was the cause of a raid last year of Kirch's headquarters in a Munich suburb. Mr Schlicht said last week's raids, in which police seized documents, were intended "to help find evidence which is suspected to be in Switzerland". He declined to give more details of the investigation. Privately held Kirch, which is Europe's biggest film distributor and has a prominent position in the German television market, also refused to comment. *Frederick Stüdemann, Berlin*

■ MEDIA GROUP PROBE

Kirch in tax investigation

■ RACIAL CLEANSING

Swedes sterilised 60,000

A Swedish politician yesterday called for a probe into "terrifying facts" showing that up to 60,000 Swedish women were sterilised against their will over a 40-year period.

Alf Svensson, leader of the Swedish Christian Peoples' party, in a letter to Goran Persson, the prime minister, said a parliamentary commission should be established to shed light on the revelations. "It is in the government's and political parties' interests to open up this grim chapter in our history," Mr Svensson wrote.

Revelations that Social Democratic governments sterilised women to rid society of "inferior" racial types and to encourage Aryan features have shocked Swedes.

The revelations in the liberal newspaper *Dagens Nyheter*, claim Sweden, Norway and Denmark pioneered racial cleansing "science" after the first world war. In Sweden the sterilisations began in 1935, peaking in 1946 and were not stopped until 1976. Officially voluntary, victims say they were ordered to sign permission slips or risk losing their other children and all benefits.

Most of the victims were of "poor or mixed racial quality", meaning people with learning difficulties, from poor families or who were not of the common Nordic blood stock. *Reuters, Stockholm*

■ RACIAL CLEANSING

Swedes sterilised 60,000

■ GREENPEACE PROTEST

Dutch seek injunction

Dutch exploration company Nederlandse Aardolie Maatschappij said yesterday it would seek a court injunction to halt Greenpeace's occupation of its proposed drilling site in the North Sea.

"We hope we can get the injunction this week, but it may be early next week. Until that time, we will do nothing," spokesman Frank Druet said. He added the company might also seek damages if, assuming it won an injunction, Greenpeace continued to occupy the test site.

NAM - a Royal Dutch/Shell and Exxon joint venture - was due to install a rig this week but the plans were scuppered when two Greenpeace activists occupied the site on Sunday morning.

Yesterday Greenpeace called on the Dutch minister for economic affairs Hans Wijers to cancel the permit to drill, arguing circumstances had changed since permission was granted in 1992. *Reuters, Amsterdam*

■ GREENPEACE PROTEST

Dutch seek injunction

Spain's tourism industry adds up cost of euro

Hotels along Spain's coasts are hurrying at the seams. The holiday trade is beading for another record, with at least 42m foreign tourists expected this year and earnings rising. But the industry is worried. How many will keep coming when the peseta disappears and Spain has the same currency as Germany?

Tourism - both domestic and foreign - provides about a tenth of Spain's economy and is one of the sectors most apprehensive about the impact of the euro. Spain is now a firm candidate to be a founder member. Concern is widespread that monetary union will mean higher costs and increased rivalry from countries still able to use exchange rates as a competitive instrument.

"We view the prospect of a single currency with anxiety," says Simón Pedro Barceló, executive vice-president of the Majorca-based Barceló group, one of the country's leading hotel and travel businesses. He does not question that monetary

Church feels the loss after papal visit

By Andrew Jack in Paris

The Pope's visit to France last week may have been a spiritual and popular success, but it could prove to be a considerable financial failure, according to initial estimates released yesterday.

A million people attended an open-air mass outside Paris on Sunday, and more than 250,000 young people invited from around the world converged on the French capital during the four day papal visit.

But Bishop Michel Dubost, head of JMJ 97, the world youth organisation responsible for organising the tour, said yesterday costs were likely to exceed income by FF20m-FF30m (\$3m-\$4m).

The Vatican traditionally leaves the cost of papal visits to host nations. But because France is a secular state - a point reiterated by Lionel Jospin, the prime minister, during a speech on Sunday before the Pope's departure - the cost must be borne by the church alone.

Since the church was stripped of its property after the French Revolution, its resources are very limited, with most income coming from donations. "Most papal visits are funded by the state or by a rich church," said the office of the archbishop of Paris yesterday. "We have neither."

The costs of the visit were in line with predictions at FF251m, Mgr Dubost said. They were kept low with many services and goods donated or provided at cost, although the organisers did distribute some free bottles of water to counter the heat-wave of the last few days.

However, receipts were significantly below expectations. Some of the national youth organisations affiliated to JMJ did not pay their subscriptions but the organisers felt they were morally unable to prevent those who had not paid from attending the mass and other meetings.

There were some sales from official merchandising, such as T-shirts, but these were only ever expected to make up 3 per cent or less of total income. Final accounts should be ready within the next few days.

If there is a significant deficit once the final figures are established, French church officials said they were likely to launch a new round of appeals among the faithful.

The papal visit did at least provide salvation for France's media organisations. France Television provided live coverage and most of the principal magazines and newspapers provided extensive coverage of the visit, which took place in the middle of the "silly season" at a time of little other news.



Biljana Plavsic, Bosnian Serb president, waves to supporters during a televised rally in Banja Luka on Sunday. Mrs Plavsic said TV workers had struck a blow for democracy by cutting links with studios run by those loyal to Radovan Karadzic

Plavsic tells army: 'Keep out of power struggle'

By Guy Dinmore in Belgrade

over the police and media in her stronghold in north-west Bosnia. Mrs Plavsic told reporters in Banja Luka she expected all members of the general staff to meet her today.

"I hope there will be enough wisdom among them to keep far away from this crisis," the western-backed president said.

Pro-Plavsic officials said they expected her to dismiss General Pero Colic as chief of staff following a statement he issued last week saying the army would not sit and watch Bosnian Serb territory be torn apart while the president acted against the constitution.

Early elections were the only way forward, said Mrs Plavsic, who dissolved parliament last month despite opposition from the ruling Serb Democratic party, which has since started to disintegrate.

Mrs Plavsic was given a further boost yesterday when Mr Dragoljub Mijacic, a vice-president, quit the pro-Karadzic government just two days after it said it would no longer co-operate with the president.

Biljana Plavsic, the Bosnian Serb president, yesterday told the army command to remain neutral and keep out of her power struggle with hardline nationalists loyal to the former president and indicted war crimes suspect, Radovan Karadzic.

The Bosnian Serb army, which is under tight Nato control and has no means to intervene militarily, has become the latest focus of the Bosnian Serb conflict following moves by Mrs Plavsic to consolidate her authority

Germany in electricity rules move

By Graham Bowley in Frankfurt

Germany has taken a big step towards liberalising its protected electricity market after the country's powerful utilities agreed rules which could pave the way for rival suppliers to use competitors' networks.

Günter Rexrodt, economics minister, said yesterday that Germany's leading industry association had agreed a ground-breaking framework with electricity generators and suppliers

which would govern the widespread transmission of electric power across the country's fragmented national grid.

The move - which is hoped will trigger greater competition and lower energy prices - would allow industrial companies to choose more freely between suppliers of electricity, including foreign suppliers.

It follows intense pressure from German companies which have complained bitterly about the sharply higher electricity costs they face compared with other European countries.

"The politicians and commentators didn't think we could come to a mutual solution on our own but we have managed it," said a spokesman for the VDEW, which represents the electricity generators.

The move also follows pressure from the German government which has been keen to introduce greater competition into the energy market ahead of European Union legislation due to take effect in 1999.

Mr Rexrodt bailed the agreement as a "central building block for the introduction of effective competition in the electricity market".

He said the aim of the reform was "competitive electricity prices which are urgently needed for the securing and creation of new jobs".

The agreement comes ahead of Mr Rexrodt's planned reform of Germany's energy laws which would more fully liberalise the energy and gas sectors and bring them into line with the new EU laws.

Industry experts said yesterday that the framework agreement was a necessary precursor of the planned legislation.

Wolfgang Heller, spokesman for the BDI, the German industry federation, said: "This will help Germany remain a place to do business by encouraging lower electricity prices."

He said electricity charges accounted for two-thirds of German companies' overall energy costs.

Spain's tourism industry adds up cost of euro



Preparing for Euro

Although the IMF forecast put this year's deficit marginally above the 3 per cent target for Euro enshrined in the 1992 Maastricht treaty, the ministry said the fund had also judged that the German government's forecast of a 3 per cent deficit this year was "altogether in the realm of possibility".

The IMF has adopted a similar position to the Paris-based Organisation for Economic Co-operation and Development, which last week forecast a 3.2 per cent public deficit this year and commented that the Maastricht target "could be effectively regarded as being met" because the difference was in the range of normal statistical revisions.

The IMF would make no comment on the report. However, the Bonn finance ministry said it focused on the need for economic reforms, including tax reform, to reduce Germany's high structural unemployment of around 8.75 per cent of the labour force.

The Bonn government's campaign to shift the Euro debate away from exact fulfilment of the 3 per cent public deficit criterion was given an additional boost yesterday when 58 German professors of economics released a signed 10-point manifesto in favour of the euro, the planned single currency.

They said that the euro could be as stable as the D-Mark and that the importance of the Maastricht fiscal criteria had been overstated. It did not really matter whether the public deficit was 3 per cent or 3.2 per cent of GDP, they said.

ish Productive Sectors - was mixed about the impact on tourism. One of the few economic sectors to have competed successfully on the European and international market. There would be some benefits, for instance for airlines, which would see their operations "simplified enormously" by the introduction of the euro. But the tourism sector would have to face a progressive increase in wage costs.

"Insofar as the euro will lead to an increasing levelling of incomes, the labour cost factor will rise relatively more in Spain (if it is in the euro) than in EU countries which do not join, or in third countries," it said. Services such as restaurants and transport have already been losing competitiveness in recent years, making holiday packages more expensive.

Mr Barceló says Spain will have to rely on assets other than low costs. "Price will continue to be a factor, but not the only factor." But he is not too pessimistic. "Spanish tourism has enough attractions not to have to base its future on devaluations," he says.

A report published in June by Arthur Andersen and the Madrid-based Institute of Economic Studies - The Impact of the Euro on Spain -

Since bookings begin a year in advance, this is the last year that they will be done exclusively in pesetas. From next summer, for the 1999 season, it is expected that bookings will start being made partly in euros.

The fear in the sector is a widening price gap with other Mediterranean countries outside the euro zone, such as Turkey, Tunisia, Morocco or Croatia, or not yet in the euro - Greece, and possibly Italy.

Government tourism officials are awaiting a report from the Institute of Tourism Studies on the impact of membership. But the outlook is obscured by uncertainties about the shape of monetary union - its composition at the outset, prospects for a second wave, the conversion rate for the peseta, and linkages between the euro and other currencies in the region.

Starling's future will be a big factor. Along with the Germans and French, the British are one of the pillars of Spanish tourism. Of all entries to Spain last year, 60 per cent were of these three nationalities. The recent strength of sterling has made an impact this year with a surge in UK business. Budget-conscious Britons have been spending more while on holiday, and bookings for next year are expected to be well up.

However, stable exchange rates are not necessarily damaging. Both visitor numbers and earnings have increased in the last two years while the peseta has held its own against the other currencies of the European Monetary System's exchange rate mechanism.

The change of currencies is seen as having advantages as well as short-term drawbacks. On the negative side, rounding up prices is expected to have an inflationary effect. Tourist companies face the cost of adapting accounting systems and the loss of foreign exchange commissions. Exchange facilities in resorts will be reduced. On the other hand, visitors from other euro countries will be more at home, not needing to cope with fiddly foreign money and being able to have a better idea what a holiday

abroad is likely to cost.

Manuel Figueroa, director of the Official School of Tourism, argued in a recent article that the euro was bound to have a positive effect on demand.

Direct benefits included savings on operations linked to the handling of currencies. In addition, he said, tourists would no longer have to take the trouble of changing money or risk a loss from leftover foreign currency. Exchange instability and uncertainty had been harmful in the past, he argued, and had affected investment in the sector.

A report published in June by Arthur Andersen and the Madrid-based Institute of Economic Studies - The Impact of the Euro on Spain -

FINANCIAL TIMES
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Seoul to aid banks with \$3.9bn package

By Jason Neely in Seoul

South Korea yesterday announced a \$3.9bn aid package to help the country's beleaguered banking sector following a recent string of large business collapses.

Kang Kyong-shik, finance and economy minister, said the financial assistance would be channelled through the state-run Korea Assets Management Corporation, a government agency set up by the finance ministry to take over non-performing assets from the banks and sell them in an effort to clean up balance sheets.

The announcement followed the emergence of profound difficulties last month at the Kia group, the country's eighth largest conglomerate and the latest in a line of high-profile corporate casualties that have left banks with non-performing loans worth more than \$25bn.



Kang Kyong-shik (left) at a meeting of economics ministers yesterday.

Mr Kang also said Korea First Bank (KFB), Kia's main creditor, would receive a special loan which

The finance ministry said it wanted to head off "uncertainty and instability" in the market and vowed it would "provide sufficient liquidity to assist financial institutions in need".

But the announcement disappointed the stock exchange, where the investment and finance sector lost 1.38 per cent by the close of trading. Analysts said investors expected the central bank to extend a loan to KFB at a concessional rate of about 3 per cent, which would allow the bank to profit on commercial loans worth about three times that rate.

gest of nine big companies that have had difficulties this year. Korea First was the most heavily exposed, but it also suffered from the fall of the Hanjin group, whose flagship steelmaker in January left behind \$5.8 billion in non-performing loans.

The finance minister said an additional \$556m would be offered next month by the authorities in a move to ease further the liquidity problems at the banks.

Mr Kang also said yesterday that to boost foreign capital reserves, ceilings on capital transactions such as overseas facility investment would be raised, as would the ceiling on foreign investment on the stock exchange. He said the ministry would seek to exempt from capital gains taxes the sale of collateralised land and the sale of land to repay bank loans.

Wives may bring Korea thaw

Twenty elderly Japanese women married to North Koreans are to be the object of a friendly media circus in the coming weeks.

Following a breakthrough in discussions in Beijing between Japan and North Korea, Pyongyang has agreed to allow the 20 Japanese wives of North Koreans to make a high-profile visit to their "homeland".

The trip promises to be emotional. Most of the women left Japan with their Korean husbands four decades ago and have not been allowed to return to see their Japanese families since.

But the trip also carries political significance. The breakthrough in the Beijing talks is one sign that the relationship between Tokyo and Pyongyang may now be thawing after a frosty five years. The question is whether the rapprochement can be sustained.

The issue is a tangled one for Tokyo because it leaves the government, one of the most nationalistic in recent years, torn between the conflicting demands of Japan's right wing, which opposes closer relations, and its US ally, which is trying to edge the two antagonists together.

Relations between Pyongyang and Tokyo are emotive.

Japanese women married to North Koreans are to be allowed to visit their homeland, writes Gillian Tett

Japan occupied the Korean peninsula between 1910 and 1945; the legacy was compounded after the Korean war in the 1950s, by Cold War suspicion.

Their history leaves them intertwined. There are about 1,800 Japanese wives in North Korea, while in Japan,

Japan says North Koreans are remitting between \$650m and \$850m to North Korea each year, equivalent to 40 per cent of the North Korean economy

there is a huge North Korean population, providing a vital economic lifeline for Pyongyang. The Japanese government says North Koreans are remitting between \$650m and \$850m to North Korea each year, equivalent to 40 per cent of the North Korean economy.

Japan has been the only regional country without any official diplomatic contact with North Korea. "Japanese public opinion is very critical of North Korea and that will not be easy to

change even if the government wants to normalise relations," says Takeshi Inoguchi, a Tokyo professor. The last attempt to establish diplomatic relations in 1992 collapsed amid Japanese allegations that North Korea kidnapped 10 Japanese in the 1970s to train

These pressures now appear to have borne fruit. Last week's talks in Beijing yielded an agreement to start ambassadorial-level discussions about the possibility of establishing diplomatic ties. Japan has also indicated that it may offer food aid to North Korea through multilateral organisations.

Further rapprochement may now depend on the position of the nationalists within Japan's ruling Liberal Democratic party.

But perhaps of more immediate importance is whether the planned trip by the 20 wives goes ahead. If Pyongyang drags its heels it could sour public opinion in Japan and freeze further moves to warm relations.

ease North Korea's economic problems. But this refusal has left Tokyo isolated. For though the US might have supported Tokyo's hostility towards the North Korea during the Cold War, in recent months Washington has been pressing Tokyo to adopt a softer line.

This is partly because of the North's mounting food crisis. At the same time, the first tentative talks between North and South Korea, China and the US have started, leaving the US keen to maintain a united Japanese, US and South Korean front.

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Cook plans firm stance in Jakarta

By David Buchan, Diplomatic Editor

Robin Cook, Britain's foreign secretary, flies this week into both Jakarta and renewed controversy over UK arms sales to Indonesia, as part of a four-country swing around south-east Asia.

Mr Cook is expected to tell Indonesia's leaders bluntly they must make progress on human rights, particularly in East Timor, annexed forcibly by Jakarta two decades ago. His warning is designed to balance the UK Labour government's recent controversial decision to allow the sale of already-licensed Hawk jets and Alvis armoured cars to Indonesia to go ahead.

Announcing last month that it would not revoke arms export licences granted by the previous Conservative administration, the Labour government dismissed claims by some human rights groups that UK arms had been used in East Timor.

But Mr Cook said he would use his talks in Jakarta on Friday to "emphasise the need for progress in East Timor and demonstrate my

strong support for the United Nations process". The UN is sponsoring talks between Indonesia and Portugal, which has championed its former colonial subjects in East Timor.

In addition to seeing President Suharto, Mr Cook is due to meet members of the new Human Rights Commission, described by UK Foreign Office officials as "active and outspoken".

Pledging to make human rights in general a key feature of UK foreign policy, Mr Cook showed himself capable of tough talking on a trip to Bosnia last month. But in Jakarta he has to contend with a long established and rather prickly government of a country that has 200m people and is oil-rich enough to be a big market for UK exports.

The Suharto regime has told the UK government that it will simply switch arms suppliers if Britain restricts weapons sales.

On his south-east Asian tour - the most extensive by a UK foreign secretary since 1988 - Mr Cook is stopping first in Malaysia, where on Thursday he will deliver a speech on British policy towards Asia.

ASIA-PACIFIC NEWS DIGEST

Japanese bond yields fall

Japanese bond yields fell to a new record low in Tokyo yesterday amid fresh uncertainty about the direction of the economy. The 10-year benchmark government bond dropped to 2.085 per cent during the day's trading, after recording a steady decline during last week. The decline suggests that traders have now ruled out any upturn in interest rates soon, given the growing signs of recent weakness in domestic demand.

Signs of this weakness emerged yesterday. Department store sales were 3.4 per cent lower in July compared with a year earlier - the fourth successive monthly decline. Supermarket sales also showed the fourth month of annual decline in July, with sales running some 4.1 per cent down from a year earlier.

Separate data yesterday showed domestic sales of cars continued to be weak - even though the industry had predicted that the impact of a rise in consumption tax in April would have faded in June. Japan's five leading car manufacturers all reported annual falls in domestic sales in July ranging between 6.5 per cent and 14.3 per cent compared with a year earlier. This was a sharp contrast to their exports, which continued to rise sharply in the month, compared with a year earlier. Gillian Tett, Tokyo

BRADY-STYLE SETTLEMENT

Hanoi close to bank debt deal

Vietnam and its commercial creditors are likely to finalise settlement of roughly \$900m in London Club debt in the first two weeks of next month, bankers said yesterday. The deal had been due in June but was delayed by bureaucratic reluctance to make decisions because of political uncertainty surrounding a Communist party leadership succession.

The signing would clear the way for a bond issue backed by the US Treasury, central to the Brady-style deal agreed with creditors last year. The debt dates back to the 1970s and 1980s and is mostly owed to Japanese institutions. Bankers expect the country to make its debut on the international capital markets some time in the next 12 months. Nomura Securities and Merrill Lynch have been mandated as co-arrangers of a \$100m-\$150m eurobond. Moody's, the US rating agency, said in April it expected to assign a Ba3 rating to the planned eurobond.

Le Thi Bang Tam, vice minister of finance in charge of the project, declined to say when the eurobond would be issued, saying only that it "depends on the Brady bond". However, the World Bank has advised Hanoi against going to the market until it has taken steps to reduce currently levels of debt.

MISSING FROM CAIRO

N Korea ambassador 'defects'

A senior North Korean diplomat may have defected after disappearing from his post as ambassador to Egypt on Friday and possibly fleeing to an unknown third country. Jang Seung-gil, who would be North Korea's first ambassador to defect, was due next month to complete a three-year term at the Cairo embassy, which plays a key role in the formation of North Korea's non-aligned policy. Egyptian authorities were alerted to his disappearance at the weekend, and a foreign ministry source said after an extensive search officials knew nothing of his whereabouts. Mark Hubbard, Cairo

NEWS: THE AMERICAS

Reform of bankruptcy law urged

By John Authers in New York

Credit card companies have launched a campaign for reforms to US personal bankruptcy law, in an attempt to combat bad debts, which are rising fast in spite of the strong economy. They expect legislation to be introduced in Congress next month.

Both Visa and MasterCard, the banking associations which dominate the credit card industry in the US and the rest of the world, want a switch to a "needs-based"

system, in which debtors while receiving protection would still be required to continue repaying debts in proportion to their income. At present, US bankruptcy courts compare a potential bankrupt's assets (many of which are exempt) with their liabilities.

According to the credit card associations, which are lobbying for reforms in coalition with trade associations for the banking and retailing industries and credit unions, about a third of people filing for "chapter seven" bankruptcy, which allows all debt

to be written off, have continuing income. They want the law to be changed so that such people have to continue with a debt repayment plan, based on their disposable income.

According to Tom Layman, Visa's chief economist: "Individuals who file for bankruptcy should receive the amount of relief they need: no more and no less. About \$30bn of debt was wiped out as a result of bankruptcy in 1996. That is \$300 for every American household. That raised the price of credit and other

things for US citizens. That cost has to be borne by someone."

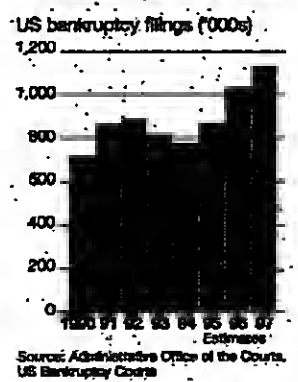
Research also suggests that attitudes to bankruptcy have changed. A Visa survey of bankrupts published earlier this year found that the social stigma that once attached to bankruptcy had "weakened substantially, if not disappeared entirely".

It found that 66.4 per cent found the bankruptcy process "easy", while 26.5 per cent would consider filing for bankruptcy again. More than 10 per cent had filed for bankruptcy

once or more before. More than 1m people successfully filed for bankruptcy in the US last year, in most cases wiping out all of their credit card bills in the process, while Visa projects that 1.12m will be declared bankrupt this year.

This continued a rising trend, with the total number of Americans filing for bankruptcy more than doubling over 10 years. In 1981, when the economy was in recession, only 314,700 filed for bankruptcy, while as recently as 1987 the figure was as low as 490,100.

Personal bankruptcies



This has led to higher charge-offs for had debt across the credit card industry, which have bitten heavily into profits.

US weighs lessons of Dallas boom and bust

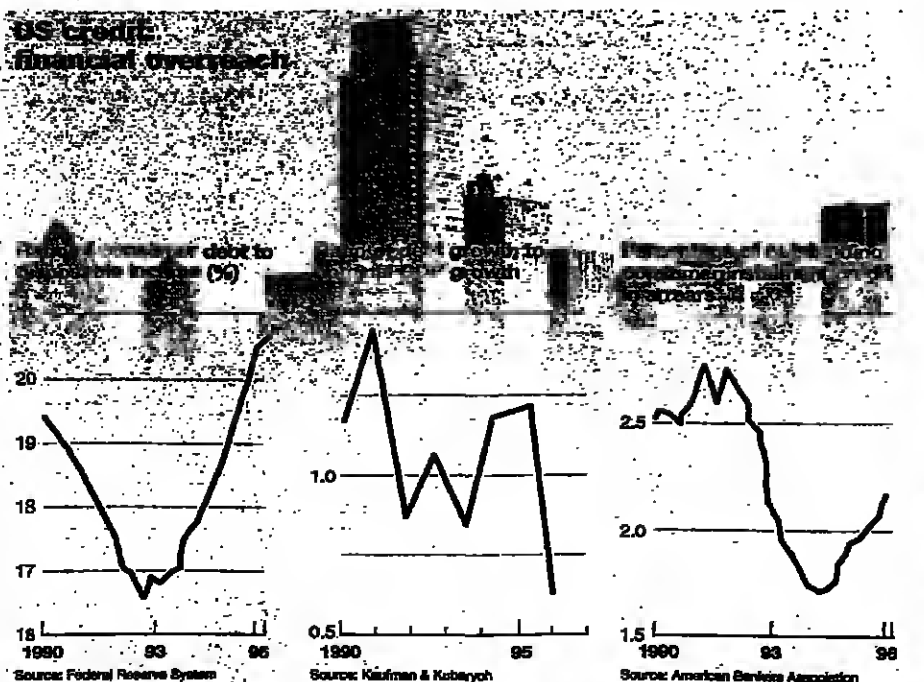
To Mr Roger Staubach, the perils of irrational exuberance are as real as they appear to any central banker. The 55-year-old Texan has experienced triumph and disaster through two different careers.

As the quarterback for the Dallas Cowboys professional football team at their unbeatable best in the 1970s, he was a national hero. When he had thrown his last game-winning pass in 1979 he moved, with exquisite timing, into the property business in his home city. In the early 1980s, the Dallas property explosion was just beginning. Real estate growth in the next few years was exponential. It was the new Texas oil rush, and Mr Staubach hit paydirt.

But within a few years, real estate prices collapsed, the economy weakened and a full financial crisis erupted. "We had a booming economy, bankers willing to lend, and people who didn't really believe in the laws of supply and demand back then," he laughs.

Mr Staubach's experience is a sobering reminder that, for all today's bullish talk of new economic paradigms and the end of the business cycle, it is usually just when things seem they could not get any better that they suddenly get much worse.

In the late 1980s, as they are today, economists and stock market analysts were musing aloud about whether



the US economy had experienced a revolution. Eight years of sustained strong growth between 1981 and 1989 led to much talk of a new paradigm.

What destroyed the complacency then was an age-old phenomenon - financial overreach. Widespread overconfidence led to over-ambitious investment plans, fuelled by prospects of speculative gains - all of it, crucially, financed by large amounts of debt.

Are there any signs of the same kind of imbalances

emerging in the current expansion, now nearly as old as that of the 1980s?

Dallas was then a metaphor for the US economy as a whole. Its boom started with a sharp increase in oil prices, but soon spread to all sectors. Most strikingly, real estate prices rocketed as investors were readily supplied by banks with large quantities of cash.

"It was like the bubble economy in Japan," says one businessman. "We had a mini-Japan here; everyone investing in booming real

estate with debt getting out of control."

In the US as a whole, corporate and personal debt levels reached post-war records in the late 1980s. As companies borrowed, the money they invested found its way into more questionable areas, notably real estate. Corporate borrowing as a proportion of corporate gross domestic product rose from 98 per cent in 1984 to 125 per cent in 1990. Corporate debt as a percentage of equity reached a post-war high.

Household debt rose from 65 per cent of disposable income in 1984 to 96 per cent in 1990. Towards the end of the decade mortgage delinquencies soared.

Today, as then, in Dallas and the rest of the country, debt is rising. Credit sales are up sharply - the retail sector is reporting its strongest growth for a decade, much of it driven by debt.

"We're seeing demand and employment growth well above even what we had in the 1980s. That's created very high levels of confidence," says Rick Douglas, chairman of the Dallas Chamber of Commerce.

Nationally, there are clear signs that the renewed confidence has begun to drive up debt. Total borrowing as a proportion of household income is back to levels seen in the 1980s. The cost of servicing that debt has risen sharply too.

But on the other hand, there are few signs the debt levels have risen out of control. At the corporate level, companies' debt-to-equity ratio is still well below what it was in the 1980s.

And the real estate market has seen nothing like the boom of a decade ago. With property prices having risen steadily but unspectacularly, mortgage arrears have dropped steadily in the 1990s, and are now at their lowest level for 25 years.

"I think everyone learned their lessons in the 1980s," says Mr Staubach. "People are more cautious now -

borrowers, developers, and especially banks." Overall, that caution is best seen in the ratio of the growth in total debt to growth in the economy's total output. That ratio boomed around 1 today, having averaged over 2.5 in the 1980s.

This more sustainable pattern of growth is not just explained by a new prudence among Americans, however. Perhaps most important has been monetary policy, with the Federal Reserve taking timely action to stop imbalances growing in credit markets. When borrowing began to rise sharply in 1994, the central bank stepped on the brakes, raising interest rates by 3 percentage points in a year.

Yet none of this means asset price inflation is dead. One very obvious risk remains.

In a little over two years, stock prices have doubled. That pace of growth usually injects enormous confidence into consumers and businesses. So far, there is no evidence of what has happened in the past - borrowing on the strength of increased equity prices to fuel investment and consumption. But if Americans eventually succumb to the temptation, the chances of some kind of 1980s re-run would grow substantially larger.

Additional reporting by Heather Bourgeois

Gerard Baker

Main guerrilla army appears to have accepted Samper plan

Rebels to join Colombia talks

By Sarita Kendall in Bogotá

Colombia's main guerrilla army appears to have accepted President Ernesto Samper's latest proposal to try to hold peace talks, based on the creation of a combat-free zone. The president's initiative also won the support at the weekend of business, political and church leaders.



Samper: framework for talks

Although the Revolutionary Armed Forces of Colombia, Farc, has shown some interest in the proposal, the more radical National Liberation Army, ELN, is not expected to respond positively to the initiative. Farc's position is a boost for the president; it had previously said demilitarisation of certain areas was a condition for negotiations.

In spite of the weekend developments, substantial obstacles remain. Mr Samper has been careful to clarify that this first stage of the peace initiative would only provide the opportunity to establish a framework for talks.

The government's earlier inclusion of paramilitary groups as participants in the peace process and its insistence that the guerrillas should not interfere with the electoral process have been criticised by Farc.

The new proposal reflects the government's weakness in the face of a guerrilla onslaught to disrupt local elections scheduled for October 26, followed by presidential elections in the first half of next year.

The registrar general, the government's top electoral official, has said voting will not take place in 10 municipalities and the number is expected to grow. There will be no voting in these municipalities because there are no candidates; the guerrillas have successfully intimidated many standing for mayor and local councillor posts by kidnapping and threatening candidates - some have even been killed.

In the last two years more than 20 mayors and 140 councillors have been murdered.

Senator Jose Cristo, a close associate of the president, was killed earlier this month, apparently by guerrillas belonging to the ELN. The armed forces and police say they do not have enough personnel to protect candidates.

Campaign offices and local branches of the election authority have also been destroyed in several towns. Guerrillas have set up road blocks in order to seize documents so that people will not be able to vote.

The idea of combat-free zones is not new; a similar plan was implemented in June to allow Farc to free 70 soldiers and marines. But demilitarised zones remain controversial and the president's current initiative is the first time it is being used to pave the way for peace talks.

General Harold Bedoya was removed from his armed forces command by Mr Samper because he was known to be a critic of this policy.

Farc and ELN guerrilla armies control substantial chunks of Colombia's territory and have a presence in at least two-thirds of the country's municipalities.

Israel eyes broader economic horizons

The central bank and the finance ministry are united over liberalisation, writes Judy Dempsey

Another set of foreign currency restrictions was swept aside last week when the Bank of Israel, the country's central bank, announced measures to move the shekel closer to full convertibility.

The measures, unveiled by the bank governor, Jacob Frenkel, and Yaakov Neeman, finance minister, signal a determination to integrate Israel into the global economic system.

They will give companies and private investors the chance to diversify portfolios and weaken the power of the few large conglomerates which dominate the economy.

The move also shows the central bank and finance ministry are working together for the first time in several years, with both institutions committed to a liberal economy with less state intervention.

Renewed co-operation is particularly timely, analysts say.

The economy slowed to an annualised growth rate of 1.9 per cent during the first half of this year, compared with treasury forecasts of 2.5 per cent for the year. And unemployment surged from 6.9 per cent at the end of last year to 7.8 per cent at the end of June, its highest level for more than three years.

Mr Frenkel said the removal of foreign currency controls would make the economy more flexible.

Over the coming weeks restrictions on Israeli companies' investments abroad will be lifted. Until now companies could invest only up to 15 per cent of sales, or 25 per cent of capital, in foreign stocks.

Israeli banks will be able to buy shekels from overseas banks in exchange for foreign currency, ending a policy which limited them to exchange transactions within the local banking system. Analysts said this could increase shekel trading.

The measures will also



even to foreign securities held by pension and provident funds.

In contrast, capital gains from trading securities on the Tel Aviv stock exchange are exempt from taxation. It is therefore not surprising that Israelis hardly invest in foreign securities; last year individuals and companies held only \$718m in foreign securities.

A special commission headed by David Brodet, former director general of the

finance ministry, suggested last year that the level of taxation be reduced to 20 per cent.

But even that cautious proposal was blocked by a coalition of government officials and trade unionists who believed it would weaken the shekel and lead to large capital outflows.

"If we look at this latest set of reforms, they are a step in the right direction," said Zev Golan, associate director of the Jerusalem-based Institute for Advanced Strategic and Political Studies (IASPS), a liberal think-tank.

"They will allow Israelis to invest elsewhere and allow foreigners to invest more in Israel, making both of them less dependent on the small number of powerful financial-industrial conglomerates



Benjamin Netanyahu (left), Israeli prime minister, with his Japanese counterpart, Ryutaro Hashimoto, in Tokyo yesterday. Mr Netanyahu is on a trade mission to Japan

CENTRAL BANK TO INCREASE KEY RATE

Israel's central bank yesterday said it would lift the key lending rate it charges commercial banks in September by 0.7 percentage points to an annualised 13.4 per cent, Avi Machlis reports from Jerusalem.

The move came in response to rising inflationary indicators, the Bank of Israel said.

The bank said it had decided to raise the rate because recently released figures showed inflation heading towards the upper limit of the government's 7-10 per cent target for 1997, while money supply (M1) was also on the increase.

The rate rise was the first since July last year. The central bank has gradually lowered interest rates since then.

Dutch consortium splits Congo businessman held

A consortium which was seeking to run a third mobile telephone service in the Netherlands has broken up, blaming government delays and internal discord, writes Gordon Cramb in Amsterdam.

EnerTel, a grouping of energy utilities and cable television companies, had planned to bid for the franchise in conjunction with Orange of the UK, Germany's Deutsche Telekom, and investors including ABN Amro, the country's biggest bank. But it said yesterday that although all wanted to win the licence, the consortium was being disbanded.

"There was disagreement on how to obtain the licence and what to do afterwards," EnerTel said. "We originally expected an auction before the summer, but parliament still has to discuss a new law for telecoms, and the licence is part of that."

The transport ministry, which oversees the industry, said that while there had been a delay, parliamentary approval was likely by the end of the year.

EnerTel was awarded one of two licences for basic fixed-line services, which last month brought the first competition to the core market of KPN, the privatised post and telecoms utility. KPN also operates the country's highest GSM mobile service, where the sole challenger so far is Libertel, in which Britain's Vodafone and ING, a Dutch financial group, have stakes.

The licence shortly to be offered is for a system based on DCS1800, a variant on the GSM standard. But its approval has been caught up in the overhaul of wider legislation affecting the industry, made necessary by the government's phased deregulation of telecoms.

Jose Endundub, head of the Congo's business federation, has been arrested in the capital, Kinshasa, business associates said yesterday, Reuters reports from Kinshasa. No official explanation has been given for the move.

"He was taken away on Saturday afternoon by four soldiers. Up until now no reason has been given for his arrest," an associate said.

Mr Endundub was elected head of the Congo's Business Federation (FEC) earlier this year and is also chairman of the successful national airline, Congo Airlines.

He joins more than 30 business leaders, directors of state enterprises and former associates of former President Mobutu Sese Seko who have been detained by the new government of President Laurent Kabila since he seized power in the former Zaïre in May after a seven-month rebellion.

Last week Bamba Saoloma, a former head of the then Zaïrean business association Anaza, now renamed the FEC, was released after a month's detention.

In June Mr Kabila's government sacked all directors of state enterprises who held posts under the former president, arresting several of them on charges of mismanagement and corruption. Mr Kabila said in a public address then that detainees would not be released until they had given a detailed account of how the country's vast resources were pillaged during 32 years of corrupt rule by Mr Mobutu and his political elite.

Unlike many former allies of the ousted dictator, Mr Endundub is in contact with Mr Kabila and his AFDL movement long before they overthrew the Mobutu regime.

NEC and Cray resume supercomputer hostilities

In a curious reversal of roles, Japanese electronics companies, frequently criticised for conspiring to keep competition out of their home market, are accusing the US of being protectionist and its government procurement market of being unfairly closed.

Last week's decision by the US Department of Commerce to hit NEC with anti-dumping duties of 454 per cent, Fujitsu with a lower but equally damaging 173 per cent and all other Japanese supercomputers with duties of 315.5 per cent confirmed fears among Japanese manufacturers that the US authorities are intent on keeping them out of the market for government procurement at all costs.

NEC, the company at the centre of the dispute, has stood its ground against charges of dumping and insisted its winning bid to supply the National Centre for Atmospheric Research (NCAR) with its SX-4 supercomputer was fairly priced. In an unusually aggressive move, NEC responded to dumping charges by Cray, the leading US producer, with a counter suit and called for a permanent injunction against the anti-dumping investigation launched by the Commerce Department.

NEC claimed the department's investigation was not impartial.

The huddle between NEC and Cray to supply government organisations with a supercomputer goes back to the 1980s, when Cray was a vociferous critic of the Japanese government's protectionist activities. It claimed these unfairly favoured Japanese suppliers.

The US company, a leader in supercomputer development, was able to rally the efforts of US trade authorities in addressing its difficulties. The row that ensued eventually led to an agreement that called for greater access to Japan's government procurement market by foreign competitors.

This time, however, the roles have been reversed. NEC claims it was able to win the bid to supply the NCAR with its super-

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INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS											
Trade figures are given in billions of European currency units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The nominal effective exchange rate is an index with 1985=100.											
UNITED STATES				JAPAN				GERMANY			
Exports	Imports	Current account balance	Effective exchange rate	Exports	Imports	Current account balance	Effective exchange rate	Exports	Imports	Current account balance	Effective exchange rate
1996	221.0	-140.6	155.8	202.8	84.2	67.2	165.1	245.5	63.5	41.6	2,127.9
1997	220.2	-131.6	-145.5	194.7	83.7	76.5	166.9	246.4	59.6	40.6	2,070.0
1998	272.5	-100.2	-108.4	216.7	79.8	67.0	151.5	272.9	61.4	42.4	2,073.9
1999	330.2	-89.3	-84.6	245.5	70.9	53.4	151.5	310.1	65.1	51.5	2,068.1
2000	339.0	-79.3	-72.1	220.0	50.0	29.5	193.4	324.6	51.8	38.3	2,057.7
2001	340.5	-53.5	-4.6	249.4	77.7	67.4	164.4	327.6	51.1	-14.6	2,048.0
2002	345.9	-52.2	-43.5	258.6	96.2	85.7	164.05	330.9	55.8	-16.0	2,018.7
2003	387.3	-60.7	-77.8	300.3	118.6	112.4	130.31	325.2	50.6	-12.1	1,933.7
2004	432.3	-127.0	-112.8	325.0	121.7	110.5	120.9	360.3	57.5	-17.8	1,919.8
2005	482.2	-122.8	-98.8	331.1	101.3	85.3	121.43	405.6	46.6	-18.3	1,923.3
2006	490.0	-135.9	-118.3	318.9	86.6	82.6	136.24	417.2	52.2	-11.1	1,894.4
2nd qtr. 1996	122.6	-37.2	-34.0	129.13	64.4	78.7	15.7	132.7	14.5	8.7	1,898.4
4th qtr. 1996	128.6	-34.8	-28.0	125.7	65.0	80.4	17.0	131.7	13.9	-1.0	1,921.7
1st qtr. 1997	140.6	-38.6	-35.0	117.13	68.3	83.3	14.7	131.42	13.8	-4.4	1,941.5
2nd qtr. 1997	140.6	-38.6	-35.0	117.13	68.3	83.3	14.7	131.42	13.8	-4.4	1,941.5
July 1996	40.2	-12.6	n.a.	129.8	64.6	28.7	4.6	137.21	17.6	35.7	5.3
August	41.5	-11.5	n.a.	129.8	64.6	26.6	6.2	136.84	17.6	34.5	4.4
September	41.1	-13.0	n.a.	129.7	62.7	25.4	4.9	135.24	17.7	34.5	4.6
October	42.7	-11.1	n.a.	125.8	65.1	27.1	5.5	140.92	17.2	35.9	4.9
November	42.9	-10.7	n.a.	127.06	64.4	27.1	6.7	142.64	17.1	35.4	4.9
December	43.0	-13.0	n.a.	124.28	65.5	26.2	4.8	141.59	17.0	34.7	4.1
January 1997	43.2	-14.3	n.a.	121.85	65.7	29.4	4.9	142.63	16.5	34.9	2.6
February	48.9	-13.5	n.a.	115.87	68.5	27.8	4.1	140.92	16.5	35.8	5.0
March	50.8	-10.9	n.a.	114.47	69.5	27.3	4.7	140.32	16.7	35.8	6.2
April	50.7	-12.1	n.a.	114.01	70.4	28.3	7.1	143.29	16.2	35.7	5.8
May	50.1	-13.2	n.a.	114.68	69.8	28.0	6.2	143.02	16.0	37.8	5.2
June	50.1	-13.2	n.a.	113.12	68.4	31.2	7.5	125.31	17.5	35.4	12.3
July 1996	127.1	0.0	3.0	6.7946	102.7	95.4	-2.5	-1.4	1467.8	101.4	103.3
1997	128.3	-4.6	-3.7	6.8285	102.7	101.0	-7.7	-2.1	1494.3	101.1	112.3
1998	141.9	-4.7	-3.4	7.0354	100.6	108.3	-8.9	-8.0	1536.8	87.7	120.9
1999	162.9	-6.3	-3.6	7.0169	99.8	127.8	-11.3	-17.0	1508.2	88.6	137.0
2000	176.1	-7.2	-7.2	6.9222	103.6	133.6	-6.3	-10.0	1522.2	100.1	142.3
2001	175.4	-4.2	-4.6	6.8843	102.1	137.0	-10.5	-17.7	1581.5	98.7	147.7
2002	182.5	4.5	2.9	6.8420	105.4	137.8	-6.0	-21.5	1581.5	95.6	145.9
2003	179.6	13.3	8.0	6.8281	105.1	144.9	18.1	9.7	1586.7	80.5	150.0
2004	188.8	12.9	8.4	6.5559	110.1	161.1	19.8	18.1	1508.5	77.0	174.1
2005	217.1	18.9	3.6	6.5715	115.3	161.0	21.8	21.7	1508.4	82.4	186.9
2006	232.3	12.0	16.4	6.4088	113.1	196.5	35.3	33.5	1592.1	75.8	207.2
3rd qtr. 1996	59.3	3.2	4.9	6.4242	113.2	47.3	11.3	11.4	1618.4	78.7	51.4
4th qtr. 1996	59.1	4.2	4.8	6.4976	112.5	52.3	9.4	8.2	1511.2	77.8	54.9
1st qtr. 1997	59.3	4.7	7.2	6.5517	110.9	47.0	5.1	-7.1	1517.8	77.0	58.4
2nd qtr. 1997	59.3	4.7	7.2	6.5517	110.9	47.0	5.1	-7.1	1517.8	77.0	58.4
July 1996	18.1	1.0	1.6	6.3985	113.7	18.7	6.3	6.8	1616.1	76.8	17.2
August	18.8	1.4	0.7	6.4231	113.2	19.3	3.5	3.8	1623.6	76.4	16.9
September	18.5	0.8	2.7	6.4832	112.8	15.7	1.6	0.8	1613.2	77.0	17.3
October	18.5	2.3	2.9	6.4770	112.8	16.1	4.0	1.0	1611.4	77.5	17.3
November	18.8	0.8	1.0	6.5001	112.6	17.1	3.0	3.0	1622.6	77.2	18.1
December	19.8	1.1	1.5	6.5159	111.9	18.1	2.4	1.2	1629.5	78.1	18.6
January 1997	19.2	1.6	3.2	6.5612	111.2	14.3	0.9	-3.9	1696.7	78.2	18.6
February	20.0	1.6	2.9	6.5539	110.8	16.0	2.0	-1.3	1615.8	76.8	18.6
March	20.1	1.5	1.0	6.5502	110.7	15.7	2.3	-1.8	1637.9	76.8	19.1
April	20.8	2.4	3.6	6.5715	110.3	17.8	2.1	1.1	1681.8	76.3	20.7
May	20.6	2.5	3.4	6.5725	110.0	18.2	2.5	1.2	1625.6	76.3	20.2
June	20.6	2.5	3.4	6.5725	110.0	18.2	2.5	1.2	1625.6	76.3	20.2

to the introduction of the single market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for Japan and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and Import data are calculated on the FOB (on board) basis, except for Germany and Italian Imports which use the CIF method (including cartage, insurance and freight charges). German data up to and including June 2006, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Customs and WFA from national governments and central bank sources.

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Foreign secretary to chair meeting as criticism mounts over minister's handling of the situation

Cook to take charge of Montserrat crisis

By David Wighton,
Political Correspondent

Robin Cook, the foreign secretary, will today take charge of government action over Montserrat, following mounting criticism of Clare Short's handling of the crisis on the island.

In what will be widely seen as a rebuke to Ms Short, the international development secretary, Mr Cook will today chair a cross-departmental meeting of officials to co-ordinate government support

for the Caribbean island, a British colony.

The meeting, which Ms Short will not attend, will consider funding further improvements to the infrastructure in the north of the island which is considered relatively safe from further volcanic eruptions.

Ms Short's apparent reluctance to commit more money to the island, but to offer financial assistance for inhabitants to leave, has provoked bitter criticism from Montserrat politicians and Labour

backbenchers. George Foulkes, Ms Short's deputy, has faced accusations that he over-reacted to scientific evidence about the risk of further volcanic activity.

At the weekend she raised the temperature further by accusing the Montserrat government of "hyetrical scheming". Arguing that calls for further financial assistance were unreasonable she said: "They will be wanting golden elephants next," a remark she subsequently admitted had been "unhelpful".

In an implicit admission that the government's response has been mishandled, Downing Street said Mr Cook's move would ensure "better co-ordination" across government departments.

Mr Cook said: "Our assistance strategy needs to be delivered speedily and effectively but requires co-operation across Whitehall."

Mr Cook's intervention is likely to cast a further cloud over the future of Ms Short, whose position was already seen as vulnerable in

any ministerial reshuffle. Downing Street said the move was not prompted by Tony Blair, the prime minister, who returns to Britain today after a three-week holiday during which the government's media honeymoon has come to an abrupt end.

In addition to the Montserrat crisis, the government is facing increasing public opposition to the Greenwich millennium dome project, following the cancellation of a roofing contract which is expected to lead to a compensa-

tion payment of almost £500,000 to the German supplier.

Today's meeting on Montserrat will be attended by officials from the Treasury and the Bank of England as well as the Home Office, Foreign Office, Department for International Development and Ministry of Defence. The group will look at four areas: resettlement of Montserratians on other Caribbean islands; support for receiving islands; assistance to those wishing to settle in Britain and infrastructure improvements.

Factories chosen in Toshiba expansion

By Peter Marsh

Toshiba, the Japanese electronics company, has selected the UK as its European centre for making microwave oven components, in a move that marks a significant expansion of its two plants in Plymouth, on the southern coast of England.

The development - which is expected to add up to 100 jobs to the 1,300 it employs at the factories - will entail switching production of parts previously made in Japan to the UK. Toshiba is also planning to increase its production of TV sets in Plymouth by about 15 per cent over the next few years.

The company makes 650,000 sets a year in the UK - making it Britain's fourth biggest producer.

Toshiba's microwave project involves magnetrons - key devices in microwave ovens which provide the heat source. Toshiba is among the world's biggest makers of these devices.

Until a few months ago Toshiba based its European magnetron business on devices made in Japan and then sold to Europe-based microwave producers.

But under its new strategy it is making 700,000 magnetrons a year in Plymouth, with annual output due to rise to 2m within 18 months.

The magnetron production line employs 40, with this figure due to rise to 100. Investment in switching manufacturing from Japan is put at £1m (£1.6m).

Current output of magnetrons from Plymouth is worth about £15m a year. Total annual production from the plants - is valued at more than £200m.

Toshiba considered other sites in Europe - believed to be south Wales and France, before deciding to locate its magnetron production in Plymouth. Behind the decision was the availability of capacity at Plymouth and the productivity record of Toshiba's UK operations.

Tobacco sponsorship deals under scrutiny

By Nicholas Timmins,
Public Policy Editor

The government is still examining the status of existing sport sponsorship contracts held by tobacco companies, Tessa Jowell, the minister for public health, said yesterday.

In a BBC radio interview she declined to confirm that existing contracts - some of which stretch to 2001 - will be honoured when the government legislates to ban tobacco advertising and sponsorship, probably in the next session of parliament.

Ministers have repeatedly made clear that sport will be given both "time and help" to wean itself off tobacco cash, a statement widely taken to mean that existing

contracts would be allowed to run their course.

Ms Jowell yesterday said: "We are currently in the process of negotiating with sporting interests the future sources of sponsorship and the status of existing agreements."

Existing contracts were "currently a matter for negotiation", she said, with an announcement due in this autumn's government policy paper.

Ministers remained determined, however, "to ensure that sport does not suffer as a result of the imposition of this ban", Ms Jowell said.

Any decision to halt an existing contract would inevitably lead to demands for compensation from the sports affected.

While ministers are examining whether National Lottery cash could be used to help replace tobacco money for sports which face difficulties, they are unlikely to want to incur additional bills by closing contracts early.

The Tobacco Manufacturers Association claimed there had been a change of heart, but Ms Jowell insisted there had been "no change of heart, back-sliding or anything else".

John Carlisle, the former Conservative MP who is now executive director of the Tobacco Manufacturers Association, appealed for the government to think again. Tobacco accounts for between £8m to £10m (£16.3m) of sports sponsorship, he said.



William Hague, the leader of the opposition Conservative party, and his fiancée Pfiom Jenkins, with dancers at London's Notting Hill Carnival. Yesterday was the final day of the biggest event of its kind in Europe

Police group launches independent review of drugs laws

By Nicholas Timmins,
Public Policy Editor

An independent inquiry into the UK's drugs laws is being launched by the Police Foundation, the think tank, with backing from the Prince's Trust, the youth charity founded by the Prince of Wales. The two-year inquiry, funded by a number of charities, will examine the possibility of tougher enforcement, decriminalisation,

legalisation and greater use of some drugs for medicinal purposes across the range of substances covered by the 1971 Misuse of Drugs Act. It will not examine alcohol, tobacco or solvents.

The 13-strong panel includes two senior police officers - John Hamilton, the chief constable of Fife in Scotland and Denis O'Connor, an assistant commissioner with London's Metropoli-

tan Police. Other members include Rudi Forster, a leading drugs lawyer, Professor Alan Maynard, the health economist, Professor Bernard Williams, the moral philosopher and leading figures in psychopharmacology, social work and rehabilitation. It will be chaired by Viscountess Runciman, who chairs the Mental Health Act Commission and who was for 21 years a member of the government's advisory council on

the misuse of drugs. The inquiry, she said, was neither "a covert attempt to smooth the path to legalisation" nor "a device to bolster a law that may be perceived as failing to best serve those it is meant to assist".

Lord Harris of Greenwich, chairman of the Police Foundation trustees executive committee, said it was the role of bodies such as the foundation "to tackle questions which have become imprac-

tical for the political agenda". Announcement of the inquiry comes amid heightened debate on drugs in recent weeks, with calls for both tougher enforcement and greater liberalisation. Plans for it have been drawn up over the past 18 months following the 1994 call by the Association of Chief Police Officers for more and better research on the effects of enforcing present legislation.

Bill Saulsbury, the foundation's

assistant director, who will act as the committee secretary, said the inquiry would start by looking at the original intent of the legislation, and examining the evidence for changes to the law based on experience in the UK and abroad. An independent and objective review in an area where there is little consensus was long overdue, the foundation said.

Editorial Comment, Page 9

London is rated best for business Economists split on Emu success

London is still regarded as the best city in the UK for business, with Birmingham the second most popular, a report showed yesterday.

Black Horse Relocation Services surveyed nearly 1,000 businessmen and asked them to grade cities according to a range of relocation factors.

Availability of a quality workforce was ranked as the top priority for companies on the move by nearly 50 per cent of respondents.

Other key results included: ● Newcastle, in the north-east, was the best city for cost and availability of business property and over- heads for the third year running. Nearby Sunderland rose to equal first for cost

and availability of property.

● Birmingham, the second-largest city in England, remained highly rated for transport network followed by London and Manchester, in the north-west.

● Belfast, the Northern Ireland capital, and Cardiff, the Welsh capital, did well on the availability of government incentives.

● As in 1996, London, Birmingham and Manchester were rated highly on overall business environment.

● Cities such as Edinburgh, the Scottish capital, and Oxford, in southern England, took first and second position for quality of personal life, but did not figure highly on the rankings for other harder business factors.

By Wolfgang Münchau,
Economics Correspondent

UK economists are deeply divided over the benefits of the single European currency, but most expect European economic and monetary union to go ahead as scheduled in 1999.

A panel of 12 senior economists from universities and UK financial institutions differed sharply over whether Emu will turn out to be a success, but most agreed it will start on time with a broad membership base.

The panel was questioned by the European Movement, the pro-European pressure group, but also included a number of prominent Euro-sceptic commentators, including Tim Congdon,

managing director of Lombard Street Research, and Patrick Minford, professor of economics at Liverpool University.

Three economists said Emu would be postponed, citing political difficulties in Germany's ruling coalition. Only two economists, Alison Cottrell, executive director of PaineWebber, and Jeremy Post, chief economist of the Royal Bank of Scotland, broke ranks with the majority view that Emu would start with a wide membership of up to 11 countries.

Only two said Emu would be an unqualified success, while the others argued that success depended on factors such as labour market reform and Franco-German political consensus.



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PUBLIC NOTICES

UNILEVER N.V.
Rotterdam, The Netherlands
EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
ON MONDAY 22ND SEPTEMBER 1997
at 09.30 am at the offices of the Company, Weena 455, Rotterdam
AGENDA

- Opening
 - Amendment to the Articles of Association of the Company with respect to the split of ordinary shares of four guilders into shares of one guilder and the abolition of type A share certificates in respect of ordinary shares (N-certificates)
 - Closing
- The Agenda and the proposal to amend the Articles of Association are available for inspection by shareholders and holders of certificates issued by N.V. Nederlandse Administratie- en Trustmaatschappij van de Company's office, Weena 455, Rotterdam, and at the office of the Bank mentioned below, where copies may be obtained free of charge.
- (A) Holders of bearer shares wishing to attend the meeting either in person or by proxy appointed in writing must deposit their share certificates by Tuesday 16th September 1997 at the Company's office or at the office of the Midland Securities Services, Client Delivery, Midland Bank plc, Marine House, Peppes Street, London EC3N 4DA or any of its branches. Upon production of the receipt then issued to them such holders will be admitted to the meeting.
- (B) Holders of registered shares for which certificates have been issued in another form and holders of booked shares wishing to attend the meeting either in person or by proxy appointed in writing must notify the Company of their intention by letter, stating the numbers of the share certificates or of the booklets for the shares, which must reach Unilever N.V., Afdeling Effecten en Compagnies, Weena 455, Rotterdam, The Netherlands, by Tuesday, 16th September 1997.
- (C) Holders of certificates for shares in Unilever N.V. issued by N.V. Nederlandse Administratie- en Trustmaatschappij van de Company, "Nederlandsche Administratie- en Trustmaatschappij van de Company", wishing to attend the meeting without taking part in the voting must deposit such certificates by Tuesday, 16th September 1997 at any of the offices mentioned in (A) above. Upon production of the receipt then issued to them, such Nederlandse certificate holders will be admitted to the meeting.
- (D) If holders of the certificates mentioned in (C) above wish to exercise voting rights at the meeting either in person or by proxy appointed in writing, N.V. Nederlandse Administratie- en Trustmaatschappij van de Company will exchange such certificates free of charge for original shares, which it will hold in the names of such holders at its own office (such office being designated place of deposit in the event and exchange the same again after the meeting) free of charge for Nederlandse certificates to be issued to such holders in accordance with the conditions of administration of these certificates. For such purposes holders must by Monday, 15th September, 1997, surrender their certificates for FL 4 or a multiple thereof (that is in the case of certificates for 7% cumulative preference shares, representing a total nominal amount of FL 1,000 or a multiple thereof) to N.V. Nederlandse Administratie- en Trustmaatschappij van de Company, Herengracht 430, Amsterdam. The certificates so surrendered must be accompanied by a form obtainable free of charge from N.V. Nederlandse Administratie- en Trustmaatschappij van de Company. Upon production of the receipts then issued holders will be admitted to the meeting.

Rotterdam, 26 August, 1997

THE BOARD OF DIRECTORS

TECHNOLOGY

Alarm in a hot spot

Smoke detectors save lives - but at a cost of frequent false alarms. Now US researchers are developing a fire detector that promises not to sound the alarm every time someone burns the toast.

The approach taken by the researchers at Purdue University in Indiana is to detect flames by sensing their temperature. The advantage is that the alarm can respond more quickly than smoke detectors, which do not go off until the smoke reaches them.

The idea of using heat to detect fires is not new. But the Purdue detector attempts to eliminate false alarms by using a sophisticated computer program to analyse the "infra-red signature" of the flames. This works because the intensity of light from uncontrolled flames fluctuates in a different way from that of common household flames such as candles, gas cookers or cigarette lighters.

The radiation from the flame is detected using fibre optics. The detector does not have to "see" the flame directly, because it can pick up reflections from a fire off the walls. A single, central detection unit could be used to provide cover for an entire building, by running optical fibres to each room.

There are still several issues to be resolved. One problem - which is shared by conventional smoke detectors - is that the alarm would be triggered by flames in an open fireplace. A possible solution would be the make the device "blind" to certain spots in the room. The device also needs to be made more sensitive if it is to pick up smouldering fires. The researchers have set up a company called En'Urga at Purdue, which plans to bring the detector to the market within three to five years. They expect its first application to be in big warehouses - but it will subsequently be developed for the home.

Vanessa Houlder

Robots roll up their sleeves

Automation is plugging a labour shortage in Japan's construction industry, writes Michael Fitzpatrick

The construction worker's wolf whistle may turn out to be his swansong as robots prepare to muscle in on the construction site in much the same way that they colonised the car factory. Japan, which operates two-thirds of the world's industrial robots, is leading the revolution. In a country where 85 per cent of the workforce sees itself as middle class - even plumbers make call-outs in business suits - it was inevitable that Japan would be among the first to introduce automation to factories. A labour shortage during Japan's boom years also put automation in big demand.

Now that there is less money in Japan for automation and research, the human element is returning to the automakers' shop floor. However, there are still some jobs the Japanese are reluctant to do, boom or bust.

Despite a lingering recession, the labour shortage in the Japanese building industry remains acute. Construction companies short of workers are finding delays in work schedules irritating. Young Japanese, they complain, class construction work as highly undesirable, even though

wages are comparatively high and other work is hard to find. In the search for more muscle power on the building site Japanese robot suppliers, with support from the big construction companies, are developing robots that they hope will eliminate much of the human element from construction work.

The keys to adapting existing industrial robot technology for the construction site, say robotics experts, are mobility, stability and autonomy.

In a big step towards fulfilling these criteria Honda recently unveiled an autonomous human-configured robot capable of walking over rough, uneven terrain, resembling that typically found on construction sites. Honda worked with Japan's Agency of Industrial Science and Technology (Aist) and the robot represents the fruition of years of robotic research.

The results are impressive if a little short of mechanical breath - the battery-operated machine works for only 15 minutes at a time. The 210kg, 1.84m P-2 has two arms, two legs, a squarish head and resembles a man in a boxy space suit.

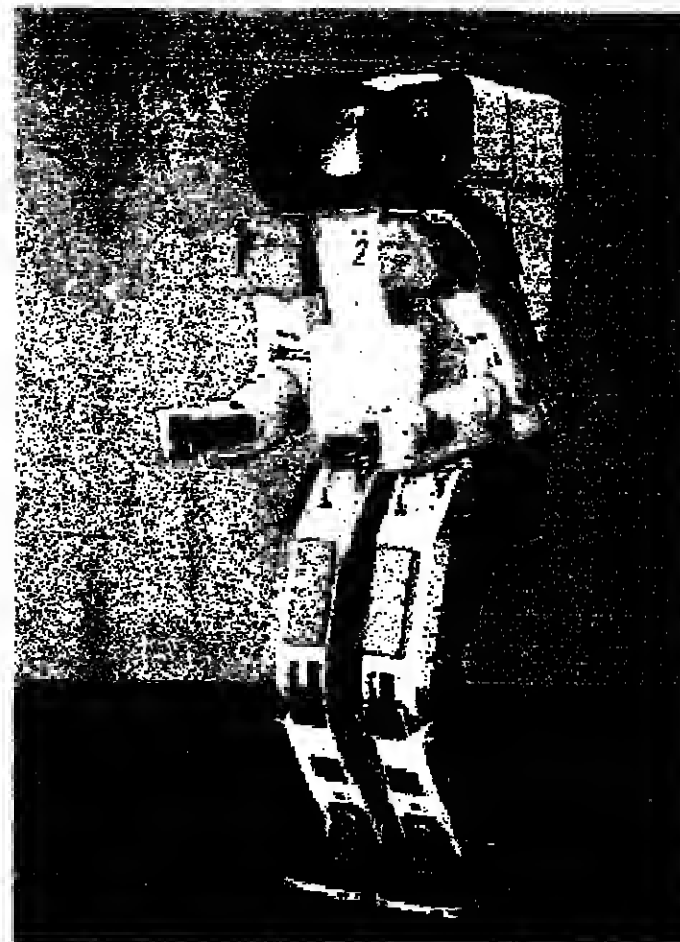
As with the US Sojourner rover

currently picking its way around rocks on Mars, P-2's circuitry is sophisticated enough to decide for itself when to try to step over an obstacle and when to find an alternative route.

P-2 can stabilise itself, push carts around and even tighten bolts - all without human interference. Nobuhiko Kawamoto, Honda's president, says it has great potential in the construction industry and elsewhere. "The robot is one of Honda's most challenging technical themes. We intend to continue development and see what practicable purposes we can put the robot to," he says.

Meanwhile, a group of scientists working at the Tokyo Graduate School of Engineering have solved the mobile robot's power puzzle. It has developed a robot that can plug itself into power units as it goes along.

Until researchers perfect a hipped robot self-sufficient in power - and that is still a long way off - the construction industry's most effective mobile robots come with multiple legs and a cord supplying the power and instructions. In some cases, inspiration has come from the animal world. Perhaps the most cele-



Making progress: the P-2 can decide for itself how to proceed

brated of Japan's construction robots is the Spider, made by Komatsu, the construction machinery manufacturer. It is a giant eight-legged robot which is used to level the sea bed before the start of bridge construction. The versatility of this design is suited to adaptation for other construction jobs, says Komatsu. In fact, four-legged designs have been found to be particularly suitable for construction jobs as they have a flexibility that no wheeled machine can match.

The Tokyo Institute of Technology, working with Tokyo Construction, has developed a robot that can climb steep inclines and can keep its balance on uneven terrain using flexible hoof-like extensions at the ends of each of its four legs. Acute slopes, steeper than the robot's independent scaling ability of 15°, are

scaled using a steel line much as a spider uses silk to climb.

The 1.5m long, 50kg robot is still in the development stage but Tokyo hopes to have a larger version of the prototype ready soon for use on dangerous repair jobs on hillsides or along motorways. It says the robot could be used to mount drills or other tools for on-site work, or even carry construction materials to the top of a steep incline.

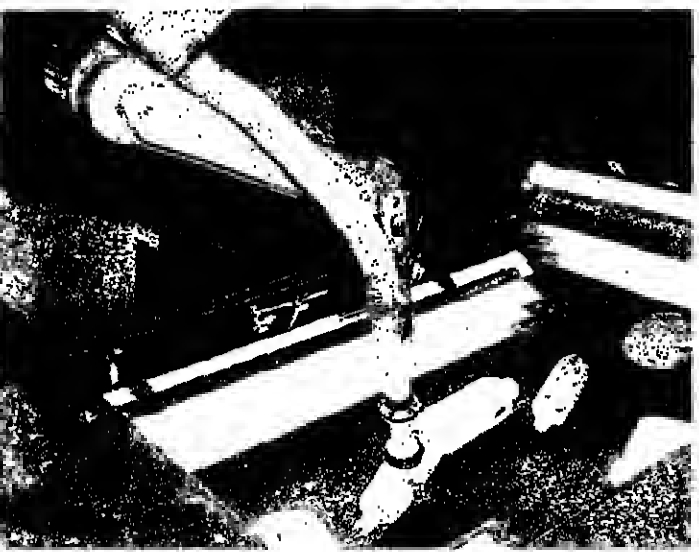
Many other prototype construction robots exist for a variety of applications such as drilling, spraying, concrete finishing or even the assembly of steel building structures.

The type of robot already employed in the construction trade looks more like a car wash than an automaton. The common feature is an ability to save labour by roughly 50 per cent, compared with previous manual-based methods.

Leading the way in cutting labour needs are Fujita and Kawasaki Heavy Industries, which have jointly developed a fully automated welding robot system for welding steel skeleton pillars in construction projects.

Conventional robots used for this job perform only the welding work itself, and the operator has to remove slag and clean nozzles by hand. The new system fully automates the entire series of welding processes, from sensing and reading out the co-ordinates of the welding parts to the removal of non-metallic substances generated in the welding process, such as slag.

Site workers may not welcome the extra competition from robots in what is already a precarious trade. But in countries where labour is plentiful and cheap these expensive machines will find it much harder to find work.



Handy for recycling: Pellenc's robot sorts the rubbish

Making sense of rubbish

Mechanically separated waste may reduce dumps, says Anna Kochan

Robots may be used to help France accomplish its target of eliminating waste dumping sites by 2002. Rather than being dumped, the rubbish will be separated into types by robots, ready for the recycling process.

One company offering such a solution is Pellenc, whose robots are more frequently used for picking grapes or peaches than for handling empty beer cans and wine bottles.

The company has developed the necessary sensing systems for a robot to separate various

types of household packaging, including different colours of glass and plastic bottles, cardboard drink cartons and aluminium cans.

The household waste is tipped on to a conveyor belt which brings it, item by item, to the robot station. A colour video camera first determines the location, shape and transparency of the object. The item is then picked up by an articulated robot arm using a suction cup.

During the handling procedure, sensors in the suction cup identify metal objects by testing for

electrical conductivity. Other sensors identify glass items using impact analysis; they "listen" to the sound made when the item is tapped. Once the nature of an object has been ascertained, it is deposited in the appropriate recycling bin.

Plastic packaging - which is all that remains to be identified - stays with the robot gripper. The final stage in the analysis cycle uses infra-red light to determine the type of plastic the object is made from. It is able to distinguish between PVC, PET or HDPE (high-density polyethyl-

ene), polystyrene and polypropylene.

Sales of the robot sorting system are currently in negotiation, although none have yet been confirmed, says Antoine Bourrelly, Pellenc's manager of robotics.

He estimates that a sorting line comprising two robot modules, running on a three-shift basis, would be able to handle 1,500 tonnes of waste packaging a year - roughly the amount of rubbish produced by a population of 100,000. Additional modules can easily be added to raise capacity.

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In accordance with the Act 20 G. of the Law on Foreign Investments ("Sluzbeni List SRJ", No. 79/94 and 29/96), Act 6. of the Law on Concessions ("Sluzbeni list RCG", No. 13/91) and Item 2 of the Decision on the Executive Modes of the Public Competitive Bidding for Assignment of Concessions to Foreign Parties ("Sluzbeni list SRJ", No. 57/96), the Government of the Republic of Crna Gora (Montenegro) announces as

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for bidders' prequalification for public competitive bidding regarding concession assignment for construction and operation of hydropower plants Andrijevo, Raslović, Milunović and Zlatica on the Moraca river.

The subject of concession is the utilisation of a part of the Moraca river hydropower potential through B.O.T. concept of project financing and construction of hydropower plants Andrijevo, Raslović, Milunović and Zlatica, and production of electric power.

The construction completion period for all the four mentioned hydropower plants is 6 (six) years, according to the construction schedule enclosed in the Prequalification Documents.

All the necessary technical data is given in the Prequalification Documents.

The concession assignment is limited to 30 years and does not include the time needed for the plants construction.

The conditions of concession assignment, as well as the pertinent rights and obligations of the concessionary, are defined by the legal acts of the Republic of Crna Gora and FR of Yugoslavia now in operation.

The bid prepared by the bidder shall necessarily comprise the following components:

- Documentary evidence establishing that the bidder has the organisational and personnel capacity for the works execution, technical and financial competence for management and execution of all the construction stages and operation of hydropower plants of similar power, including the construction management plan for the works required.

- Cost benefits analysis including the intended rate of investment return and the unit price of the produced kWh at the HPP gate (US\$/kWh).

- Project implementation schedule.

- Amount offered for the concession assignment.

- Statement on the bidder's willingness to cover all the concessionary's expenses defined by the law.

Besides the B.O.T. model, the bidder may propose another financial concept for the construction of the mentioned plants.

Regarding the selection standards and evaluation methodology as to the Bidder's eligibility, the following is to be emphasised:

- The bidder's technical capability for construction and operation of HPP.

- The bidder's capability for project financing.

- The envisaged extent to which local companies and local manpower would be engaged (design, construction, equipment supply, plant operation).

- The unit price of the produced kWh at the HPP gate,

- The amount offered for the concession assignment.

Further elaboration of the selection criteria and evaluation methodology as to the Bidder's eligibility is given in the Prequalification Documents.

The deadline for submission of bids is 2.5 (two and a half) months, following the date of advertising in the "Sluzbeni list SRJ".

The applications are to be submitted to the Javno elektroprivredno preduzeće "Elektroprivreda Crne Gore", Montenegro, Niksic - Vuka Karadzica 2.

All the requested information (including inspection of the complete design documentation for the HPPs on the Moraca river: feasibility report, followed by tenders for procurement of civil works as well as for supply and erection of the hydropower plants equipment) may be obtained at the head office premises of JEP "Elektroprivreda Crne Gore, Niksic, Vuka Karadzica 2, phone/fax +99 381 83 43 792 (Mr Radomir Milovic Ph.D.) and +99 381 83 24 390 (Mr Miroslav Markovic).

Technical interpretation of the design documentation will be provided by Energoprojekt Holding Corporation, Hidroizumjerjering Ltd., Belgrade, Bulevar Lenjina 12, phone +99 381 11 311

Edinburgh Festival

Ariadne reunited with Molière

Eighty-five years ago, Richard Strauss and his playwright-librettist Hugo von Hofmannsthal wrote a one-act opera, *Ariadne auf Naxos*, as a thank-you to the producer Max Reinhardt for his help with *Rosenkavalier*. The *Ariadne*-tribute was to be embedded as a "divertissement" - a long one! - in a Reinhardt production of Molière's *Le bourgeois gentilhomme* in German.

That is more or less what the Edinburgh Festival has just given us, triumphant in collaboration with Scottish Opera and the Nottingham Playhouse. Sensibly, the director Martin Duncan had the piece comedy played in English, the opera-within-the-play in German with English surtitles. It took nearly four hours - but that was a great advance over Reinhardt's, which took six.

One saw and heard *Ariadne* as never before: this original version in its intended setting gets revived only about once in a generation. The much-loved *Ariadne* that prevails is the later, all-operative version, devised by the authors when they realised that a costly play-plus-opera was never going to enjoy many performances.

There, an operatic Prologue replaces the play, setting out the situation. The "richest man in Vienna" (no longer Molière's "Monsieur Jourdain") has hired a serious young composer and a *commedia dell'arte* troupe to provide his evening's entertainment, and now insists that their contributions must be played simultaneously - so as to finish before the fireworks.

That seems to preserve Hofmannsthal's original inspiration: a fractious confrontation between opera seria and popular vaudeville, exalted Love and practical love-making, poetry and prose. Thanks to Edinburgh, however, I now realise that the much-loved rewrite loses a crucial dimension (though it gains a lovely mezzo role for the Composer).

It is common operatic lore that the all-singing *Ariadne* tilts the piece toward lofty, quasi-Wagnerian romance, with the comedians only a tacky sideshow (despite Zerbina's coloratura showpiece). In fact the difference goes deeper. In the new Prologue, the new figures of the Composer and his wise old Music-master, stage-realistic, are also operatic figures in the same refined genre as

David Murray

illuminating experience: Lisa Saffer and Anne Evans in the Scottish Opera/Nottingham collaboration

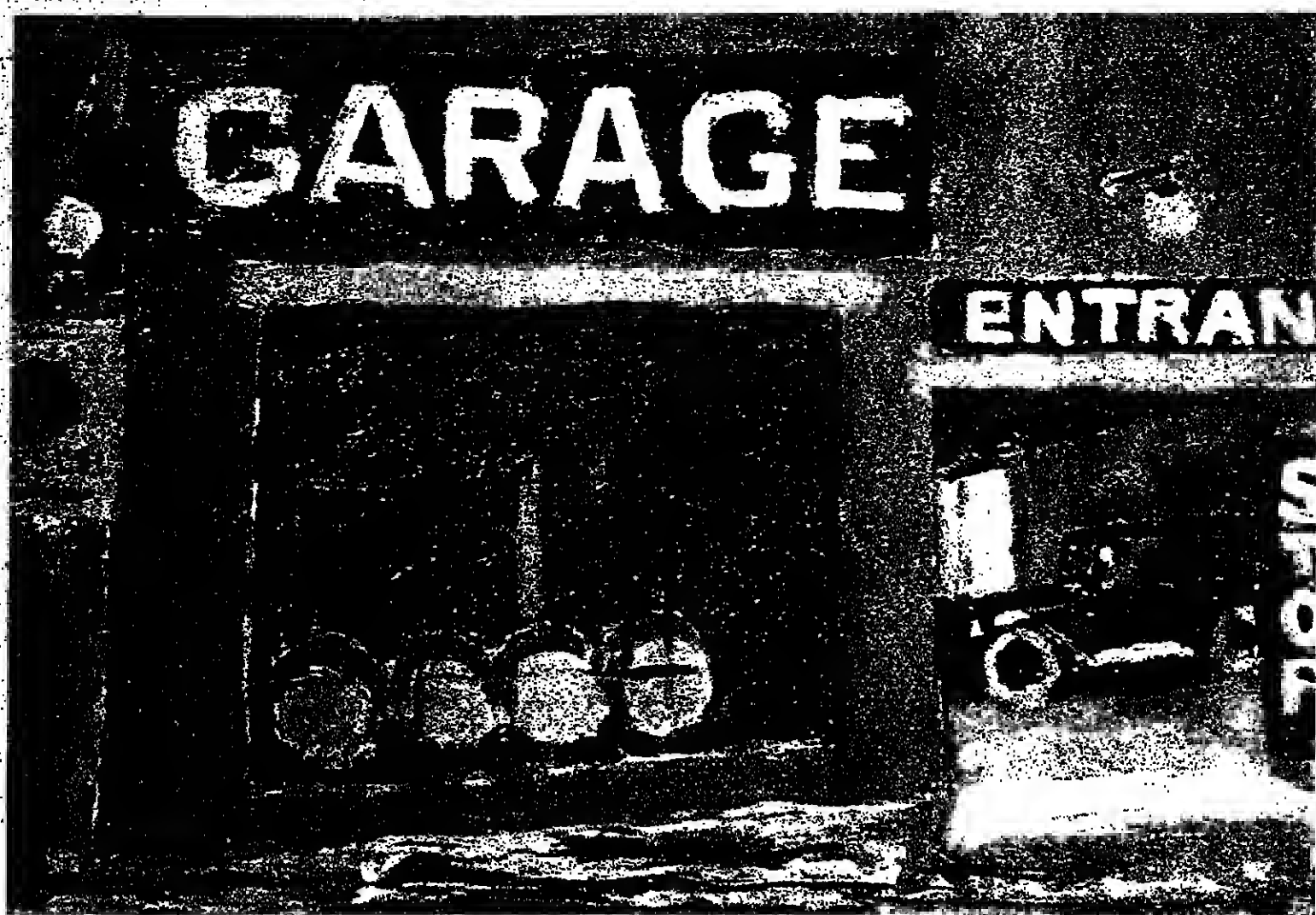
Imre Vincze; at the Domplatz; Aug 26, 29

TANGLEWOOD
Tanglewood Festival
Tel: 1-817-931 2000
CONCERTS
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WASHINGTON
THEATRE
Wolf Trap Tel: 1-703-216 6500
West Side Story: 40th anniversary production of the Bernstein/Sondheim musical; Aug 26-31



Always his own man: 'Garage', 1917, by Stuart Davis, currently on show at the Peggy Guggenheim Museum, Venice

A neglected true original

It is time to recognise the talent of US artist Stuart Davis, argues William Packer

shows us at last that there is so much more to Davis than just his having hit upon a source of imagery that others would exploit more fully. Small as it is, it gives us the artist whole, that we may follow him through what is at first an extremely rapid development and a long and fruitful maturity.

The young Davis is a confident figurative painter working in the manner of late-Impressionism that edges towards Fauvism and Expressionism, rich in the point and ample in the handling. He was precocious enough to contribute to the Armory Show in New York in 1913, by which he came to know the work of the

Fauves, Matisse and Van Gogh in particular. His work of that time also has a decided affinity with that of Munch and even early Mondrian, and he was already working with the louche street, café and cabaret imagery, which interest he shared with Bellows, Marsch and Hopper.

But a dour, simple and yet rather lovely painting, the "Garage" of 1917, clearly prefigures the way he would make peculiarly his own, though it would take several years, a digression into Van Gogh-like Expressionism and a close and instructive look at Picasso's later Cubism, with its collage elements and simpler forms, to establish

it. For there in the "Garage" are the simple, abutted, rectangular forms, flat to the picture-plane, there the open, dead-end reference to the mundane life, and there the label, the brand-name. In all this work through into the 1920s, and in the Picasso-esque works especially, we find in the young Davis an open and sophisticated pictorial intelligence at work, in no way parochial but unselfconsciously taking up contemporary example within an international context, and turning it to its own purposes. It is curious how often, in looking generally to others, an artist finds himself.

From this point on,

through the brand packets and domestic still-lives, to the street scenes and café paintings, the posters, the labels and the landscapes, moving close at times to formal abstraction but never quite losing the pictorial reference, Davis is never anything but his own man. Do we see something of Dufy in those streets and harbours, Leger in those cafés and still-lives, the Mondrian of "Broadway Boogie Woogie", or the late Matisse of the *poitiers collés* in those extravagantly lively collage-like compilations of labels and letter-forms? Perhaps; but we see them all transformed on Davis's own terms.

Antony Thornicroft on the Perrier comedy awards in Edinburgh

They must be joking

gay Irishman with "lick-me" charm; and The League of Gentlemen who seemed to have stepped out of the Cambridge Footlights, but wearing studs on their boots. The League are a quartet, three of whom perform the sketches, with bow ties and bounce. Their appeal is that they trample all over political correctness and happy endings. As Legs Akimbo, a drama for schools' troupe, their "it's good to be gay" playlet is badly toiled by their bickering prejudices; a northern comedian dies the death in London. League of Gentlemen subvert the political and social certainties of the traditional comedy audience, and although some of their sketches are dead in the water, they take humour into newish territory.

Milton Jones delivers more laughs a minute, cleverly switching from comic characters, some of whom, like his senile explorer, are spot on, some, like the reveries of a tenpenny piece, miss the mark, to conventional stand-up patter like "I was not popular at school; I was rushed to hospital with 80 per cent Chinese burns."

Al Murray's in-your-face publican, has acquired pathos and has some good political jokes - "the Welsh are getting an Assembly - terrific, because they love singing hymns" - but becomes relentless over the hour. In contrast, with weaker material, Graham Norton shows the importance of personality in winning over an audience. It is gentle stuff in the "I'm Irish and gay, so I'm expecting a lottery grant any minute"

supreme as the forcing ground for humour, not only for newcomers but also for established performers crying out for new material. This ranged from Kit and the Widow, to Sean Hughes, via Frank Skinner. Kit and the Widow scored a direct hit with Dodi courting Diana in song, but also pointed to new targets with "Mandelson's song with no words". Frank Skinner confirmed that with a cheeky, confident manner, you can penetrate every sexual taboo, and Sean Hughes has become one very troubled man. The chirpy Irish prankster is now a dark, sardonic, misanthrope, terrified of relationships and shaking a Lear-like fist at religion, love, and life. Either he is a most convincing actor or someone has upset him badly.

The Perrier is regarded as a lift-up rather than a full-hearted acknowledgment of the funniest act in town. On merit this would go to Bill Bailey who can win over an audience with his grin.

He just does not care - parodying such right-on figures as Billy Bragg and then satirising progressive rock. His lecture on how cockney music has influenced the great composers, including Beethoven and Mozart, lifts him beyond the fringe and into the Festival, a Festival, which, since the heady days of Beyond the Fringe seems to have lost contact with wit. Bailey deserved the Perrier but does not need it. Talent scouts, from American as well as from British television, have been trawling Edinburgh as ever. London Weekend Television is introducing this year the LWT comedy writing award. Stand-up comedians are fine, but limited; much better to sign up writers who can deliver good material for comedy shows for years.



illuminating experience: Lisa Saffer and Anne Evans in the Scottish Opera/Nottingham collaboration

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Elihu Inbal in works by Korngold, Ligeti and Beethoven, with cello soloist Peter Bruns; Aug 28

EDINBURGH

Edinburgh International Festival Tel: 44-131-473 2000
CONCERTS
● Bank of Scotland Fireworks Concert: Brad Cohen conducts the Scottish Chamber Orchestra in the traditional Festival finale. The programme includes Shostakovich's Festival Overture, works by Handel and J. Strauss. If you can't get a ticket, try the view from Carlton Hill; Aug 28
● Black on White: by Heiner Goebbels, whose jazz, rock and world music influenced compositions have won him European celebrity, although he remains a relative unknown in the UK. This piece, subtitled *Music*

Theatre for Eighteen Players, is performed by Ensemble Modern, with sets and lighting designed by Jean Kalmari, costumes by Jasmin Andras; Royal Lyceum Theatre; Aug 29

DANCE

Nederlands Dans Theater III: Tears of Laughter, choreographed by Jiri Kylian. Sister company of Nederlands Dans Theater I, formed for mature dancers. Programme of five separate works; Edinburgh Playhouse; Aug 28, 29

THEATRE

● The Cherry Orchard: by Anton Chekhov. After the success of last year's Uncle Vanya, Peter Stein returns to Edinburgh with Chekhov's most famous play. In a Salzburg Festival production seen there in 1995 and 1996. Jutta Lampe is Ranyevskaya. Performed in German with superbly; Edinburgh Festival Theatre; Aug 28, 29
● Measure for Measure: by Shakespeare. Directed by or Stéphane Braunschweig. Unlike The Winter's Tale, which was Braunschweig's French language contribution to the 1994 Festival, this production, staged by the Nottingham Playhouse, is in English; Royal Lyceum Theatre; to Aug 26

LONDON

CONCERTS
BBC Proms, Royal Albert Hall Tel: 44-171-589 8212
● BBC Singers: conducted by Bor Houten in a programme which

includes works by Brahms and Schoenberg; Aug 28
● BBC Symphony Orchestra: conducted by Oliver Knussen in a programme which combines English and American folk songs and includes the European premiere of Elliott Carter's *Allegro scordato*; Aug 26

● John Dankworth: conducts The Dankworth Sextet, BBC Big Band and BBC Concert Orchestra in a joint seventieth-birthday tribute to Gershwin and Duke Ellington, with Cleo Laine; Aug 29
● Leipzig Gewandhaus Orchestra: conducted by Sir Neville Martin in a programme which includes the UK premiere of Hans Werner Henze's Second Sonata for Strings, Mendelssohn's Violin Concerto in E minor, with soloist Lella Josefowicz, and Schubert's Symphony No. 9; Aug 27
● Leipzig Gewandhaus Orchestra: Alfred Brendel performs the Piano Concerto in A minor Schumann wrote for his wife. The programme includes works by Wagner and Mendelssohn and is conducted by Sir Neville Martin; Aug 28

EXHIBITIONS

Tate Gallery Tel: 44-171-887 8000
Mondrian: Nature to Abstraction - a series of drawings and paintings of trees and the sea, executed in Paris before 1914, forms the core of this exhibition of works loaned by the Gemeentemuseum in the Hague. The 60 works selected trace the artist's development towards the mature abstraction of his famous grid paintings;

to Nov 30

LUCERNE

International Festival of Music Tel: 41-41-210 3080
CONCERTS
● Adrienne Soós and Ivo Haag perform piano duets by Schubert; at the Union; Aug 28
● André Schiff: recital of Schubert piano sonatas; at the Union; Aug 28, 29
● Anne-Sophie Mutter performs works by Brahms, accompanied by Lambert Orkis; at the von Moos-Stahl-Halle; Aug 27
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by Keiser, Rachmaninoff and Stravinsky; with piano soloist Arcadi Volodos; at the von Moos-Stahl-Halle; Aug 28

OPERA

Jakob Lenz (1777/78): by W. Rühm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kuhn in a staging by Reto Nicker; at the Luzerner Theater; Aug 26, 28

NEW YORK

EXHIBITIONS
Museum of Modern Art Tel: 1-212-708 8480
Objects of Desire: The Modern Still Life - beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition traces the art of this

century through the various and evolving representations of objects; ends today

SALZBURG

Salzburg Festival Tel: 43-662-844501
CONCERTS
Arditi Quartet: in a programme including works by Pintscher, at the Mozarteum; Aug 27

OPERA

Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 26
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonie and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitschule; Aug 26, 28
● La Clemenza di Tito: by Mozart. Conducted by Gustav Kuhn, directed by Ursel and designed by Karl-Ernst Herrmann. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 27, 29

THEATRE

Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedle's production, designed by

Imre Vincze; at the Domplatz; Aug 26, 29

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Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

08.30
Squawk Box

18.00
Financial Times Business Tonight



Martin Wolf

The ethics of capitalism

All the most important policy debates concern conflicts between two different value systems, that of merchants and that of 'guardians'

In a market economy, one buys and sells. So why not buy the services of ministers and judges? Capitalism also means the right to compete. So why not hire gangsters to force competitors out of business? These are not fantastic examples. There are countries in which it is as easy to purchase a judge as a factory and as natural to drive a competitor out by force as by superior performance.

Edouard Balladur, when prime minister of France, complained that the market is "the law of the jungle". This is the reverse of the truth. Markets need a web of constraints on both the state and private agents.

Maneuver Olson of the University of Maryland has noted that bazaar have appeared virtually everywhere throughout history. Successful market economies differ from them in the scale and nature of investment activity. This depends, in turn, on borrowing and lending. Trades over extended periods of time will only be made if people feel safe from arbitrary exaction or default.

So a thriving market economy has a symbiotic relationship with the state. If a ruler is too weak, his subjects will be at the mercy of competing bandits, each trying to seize as much as he can before his rivals do. If a ruler is strong, however, he will gain from not slaughtering the goose that lays his golden eggs. This is why autocracy, with its monopoly of large-scale violence, is better than anarchy.

Yet even an autocrat will have an interest in containing his fiscal demands and providing needed public goods only if doing so will increase his wealth and power. At heart, he remains an oppressor. In Prof Olsen's phrase, a "stationary bandit".

If the state is to do better, its interests must be aligned

with those of the people at large. Democracy is potentially the answer. But a democracy consumed by a contest among interest groups is unlikely to generate prosperity. Equally, the state's agents must fulfil public purposes, rather than their own. The danger of corruption of either the democratic process or public servants can be reduced by a mixture of entrenchment of individual economic rights, design of appropriate institutions, and inculcation of desirable values.

Economists are uncomfortable with talk of values. Yet a society in which everyone, including public servants, automatically does whatever he or she hopes to get away with would offer its citizens a life that was "naughty, brutish and short".

In a fascinating book, Jane Jacobs, who had previously provided a powerful critique of post-war urban planning, ventured to analyse the values that underpin civilised societies. Her central insight is that they depend for success on a symbiosis between two sets of values: those of the guardian and those of the merchant. These correspond, in turn, to two

ancient ways of making a living: plunder and trade. The values of guardians are those of warriors and kings on the one hand, and priests and bureaucrats on the other. Guardians are concerned with territorial control and value obedience, tradition, hierarchy, loyalty and honour. Guardians see the relations between the area they control and those controlled by others as intrinsically hostile.

Merchants, by contrast, base their activities on voluntary agreement. They value honest dealing. They collaborate relatively easily with foreigners and believe in competition, innovation, diligence and thrift.

In societies run by soldiers or priests – or by a god-king, who is a combination of the two – merchants have low social status. In classical Hinduism, they came below the priest and the warrior. In ancient China, their place was humbler still.

In parts of Europe, however, the interests of merchants came to dominate states, with dramatic results for prosperity. As mercantile society advanced, so did the status of the bourgeoisie. This led, in some coun-

tries, to a socialist backlash. Communism, its extreme form, meant giving absolute power to guardians who were priests, soldiers and bureaucrats.

The inevitable failure of communism to make a success of commerce was, in turn, the harbinger of the present worldwide rise in the status of merchants. In modern China, for example, almost every organ of the state is trying also to become a business.

With their instinctive internationalism and individualism, mercantile values offer far more hope to humanity than the dirigiste and often xenophobic ones of guardians. There is a strong and predictable correlation between commercial freedom and economic performance.

Yet liberty can itself be guaranteed only by the right sort of government. If, for example, the state is no better than a bandit or its agents sell their services to the highest bidder, essential public goods, including secure property, will be inadequately provided. Guardian values are an essential foundation of the institutions that underpin a commercial civilisation.

Virtually all of the contentious policy debates of today are concerned with guardians and merchants – and the interplay between them.

The transition from communism, for example, involves reconstituting relations between the state and commerce, where the arrogance of despotic guardians had corrupted the state and destroyed the market. It is no surprise that in a country like Russia, officials find it natural to sell their services, like merchants, as do businessmen to seize assets, like plunderers.

Similarly, corruption involves misuse or abuse of a guardian position for private gain, which undermines the capacity of the state to provide the services

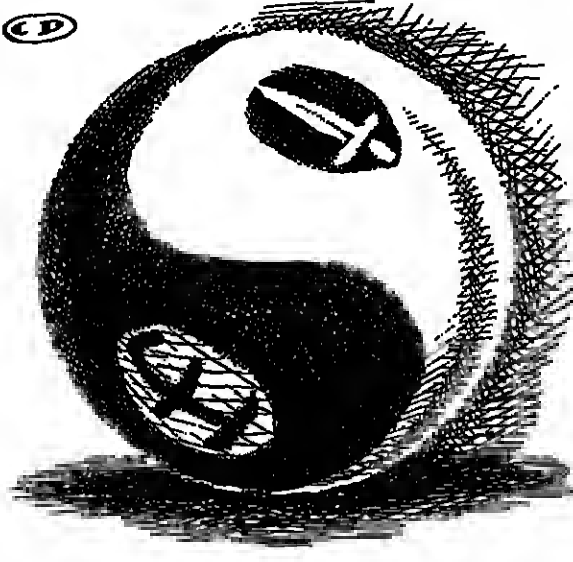
needed by a mercantile economy. The answer is well-paid and carefully structured guardian institutions that understand what commerce needs, but are not themselves imbued with commercial values. Merchants need honest courts, not ones they can buy.

Again, most worries about globalisation concern the role of states within an international mercantile system. It is no accident that the French, with their guardian tradition, view the merchants' triumph as the state's humiliation.

Throughout history those good at plunder have dominated those who made their living from trade and production. Recently, more sophisticated societies have emerged in which private people have been able to make the state serve their interests, rather than those of their rulers. By now, it should be evident to all but the purblind that wealth comes from healthy commerce, underpinned by a supportive state. Yet achieving this combination remains beyond the capacity of most countries on earth.

When thinking about reform, economists examine the interests at work and want to change incentives. They are right to do so. But they should not ignore values. Not everything should be for sale. Civilisation depends on establishing a mutually supportive relationship between guardians and traders. A first step towards it is recognition of the proper place of each.

*Maneuver Olson, *Capitalism, Socialism and Dictatorship*, University of Maryland, 1996, appendix; *Jane Jacobs, *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics* (New York: Vintage Books, 1994); ****Economic Freedom of the World* (Fraser Institute: Vancouver, 1997)



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Personal View • Dominique Moisi

Confront the past

In dealing with history, and in diplomacy, morality is the best policy

"Tell me who your friends are and I shall tell you who you are."

Goethe's famous dictum can be applied to the behaviour of nations: "Tell me the way with which you deal with your past and I shall tell you who you are."

Such a comment would apply to one European country in particular at the moment, Switzerland. The Swiss are debating their behaviour during and after the second world war: what role did Swiss banks play in Nazi finances? Was Swiss "neutrality" truly neutral?

Such debates are part of a much larger question which will prove decisive for Europe's future, i.e. how the interpretation of a nation's past moulds its future.

Though there are many ways to deal with one's past, one rule applies in all cases. It is much more difficult to confront a grey past than a purely bright or totally dark one. In other words it is easier to be British or German than to be Swiss.

For the Germans, dealing with the past was paradoxically easy. There was no redeeming value in the Nazi period. Post-war Germans could only wish to break with such a barbarous and immoral period.

One can argue today that because they fully confronted their past, the Germans are more "vaccinated" than other European countries against non-democratic or imperial temptations. This "vaccination" constitutes a safety net for the future of Europe, as one witness with concern Germany's economic evolution and its inevitable post-Kohl political transformation.

In the same vein, it was as easy for the British to confront their wartime past, so obviously "their finest hour". Perhaps too fine for nearly 50 years, the British

in their relationship with Europe have remained prisoners of this moment of glory, compared with which the post-war years seemed pale indeed.

If one considers the majority of European nations, however, the colour that prevails is grey, in various shades. The French, led by de Gaulle, have tended to rewrite their past, for de Gaulle made them believe that because he was great, they too could be great. This rewriting of history was later complemented by François Mitterrand. By recognising his own involvement in the Vichy regime, Mitterrand was implicitly saying that the majority of the Frenchmen who supported the Vichy regime were really not that bad since he had been among them.

Such ambiguous messages could only have one consequence: more than 50 years after the end of the war France has still not completely come to grips with its past, in which both resistance and collaboration played their parts.

Nations can recognise their past, rewrite it or hide it. Would it be too severe to say Austria chose the last of these options? Kurt Waldheim's own amnesia toward his personal wartime history epitomised his country's attitude toward its Nazi years.

Nations with tragic histories or unclear geographic and political identities are particularly prone to inventing their pasts in a mythical and ultra-nationalist manner. The "nations" of former Yugoslavia provide the perfect example.

Each nation is *sui generis*. Nevertheless, one can derive practical political lessons from the way nations tend to look at their pasts. These lessons strengthen the case of those who advocate moralism in foreign policy to the detriment of those who advocate absolute realpolitik. Just as with individuals, it "pays" for countries to recognise their sense of guilt towards others and to say openly: "I am sorry." The recent apologies of the British government to the Irish for not doing enough during

the great famine of 1847 may do more for British-Irish relations than many a political negotiation. By contrast, Japan's inability for most of the post-war period even to acknowledge its responsibility for the suffering of occupied Asian countries has greatly hampered Japan's regional role in Asia. In other words, it is worthwhile even in terms of stark realpolitik to take account of the historical and political emotions of others.

If there is to be any reconciliation in the Middle East, it will be because the Israelis will have transcended their experience of Holocaust and the Arabs will have integrated it in their understanding of their Jewish neighbours. Equally decisively, Israelis will have to acknowledge the suffering which they inflicted on the Palestinians in the creation of the state of Israel, and apologise for their nation's more recent misdeeds.

The second lesson is that neutrality is never really "neutral", politically or morally. The neutrality of Switzerland during the second world war or the special status accorded to Finland during the cold war were possible only because the Allies resisted Nazi Germany and because the US ensured that western European countries did not themselves become "Finlandised".

The debate that has begun with Switzerland will soon engulf other neutral countries as well, such as Spain, Portugal and Sweden. (As if that were not enough, the Swedes are just starting to come to terms with the fact that their country was, for 40 years until the 1970s, a sterling women who had been deemed "undesirable".)

The painful national confrontations that lie ahead must be interpreted as positive, even healthy symptoms of a Europe coming together, for Europe will only exist one day if its nations have fully come to terms with their recent pasts.

The author is deputy director of the Paris-based Institut Français des Relations Internationales

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HH

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Solar power is the alternative to fossil fuels – even in Aberdeen

From Mr Pete Roche.

Sir, Mr Derek Marnoch (Letters, August 22) is concerned about losses to the Aberdeen economy if exploration companies take their operations elsewhere. He says renewable energy sources "are not yet with us and that it seems pointless for the UK to volunteer to sit in the dark...". Far from it.

BP Solar is the third-largest solar manufacturer in the world, with 10 per cent of the market. BP scientists have estimated that, by investing £350m (£570.5m) in a new solar "super" factory, it could make solar electricity competitive with fossil fuel-generated supplies and create 3,000 new jobs. At the sort of costs indicated, solar electricity would be economic throughout the

world, even in Aberdeen.

Obviously, an immediate end to the use of fossil fuels would be impractical. But, given that we can only afford to burn one-quarter of existing fossil fuel reserves, continuing to explore for more oil does not make any moral or economic sense.

A sensible strategy for the Aberdeen Chamber of Commerce, under these circumstances, would be to seek alternative employment opportunities for those involved in exploration for new oil reserves. It is quite possible that BP, for example, will be at the forefront of new energy systems appropriate to the needs of the 21st century. BP may yet demonstrate that it is a forward-thinking organisation, and the leading oil com-

pany, by moving out of oil exploration and into solar and renewable technologies. If it grasps the nettle now, it will become a leading world-class solar company. If it does not, Japanese, German and US companies will capture the market.

John Battle, the UK minister for science, energy and industry, is reviewing the future of solar and other renewables. Why doesn't the Aberdeen Chamber of Commerce lobby for a new solar factory in Aberdeen to demonstrate its commitment to finding solutions to the problem of climate change?

Pete Roche, Atlantic Frontier Campaign, Greenpeace UK, Canonbury Villas, London N1 2PN, UK

Preserving the sacred from the profane

From Sir Stephen Hastings.

Sir, Christian Tyler's sympathetic piece "Fighting the profanities of mass tourism" in our cathedrals (August 18/17) will be of great interest to all of us engaged in fundraising for our ancient churches.

Peterborough is arguably one of the two finest and purest Norman cathedrals in Europe, Durham being the other. We are struggling to raise £7.3m (£11.9m) for essential restoration and investment. Tourism has to be an important factor for us. A provincial new town, however hard it tries, cannot command the attractions of London, Paris or Prague, and we are bound to look a

little wistfully at the problem of mass tourism.

But suppose it comes: how are we to protect the awe-inspiring and essentially uncluttered impact of the great nave, with its unique timbered roof, for the flow of visitors we so badly need?

We plan a completely new visitor centre, which we hope will encapsulate the cathedral's varied, violent and fascinating history: from the Viking assaults on the Abbey Church to Hereward the Wake's resistance to the Normans, its part as a refuge throughout the bloody anarchy of Stephen's reign, recorded here in the last and longest of the Anglo-Saxon chronicles, to the burial of

Catherine of Aragon and temporarily that of Mary, Queen of Scots, and to the ultimate profanity and destruction wrought by Oliver Cromwell's soldiers.

If we can thus separate the story of Peterborough from the austere and unearthly quality of the church itself, perhaps we can preserve the sacred from the profane. But we are bound to anticipate the forthcoming arrival of the Eurostar at Peterborough with some eagerness. When and if it comes, we shall remember Mr Tyler's warning.

Sir Stephen Hastings, Milton Hall, Peterborough PE6 7AF, UK

Cigarette smokers retain right to sue

From Mr Martin Broughton.

Sir, Your leader "Cigarette settlement" (August 18) falls some way short of the FT's normal standards of accuracy, and two of the mistakes in it are of fundamental importance.

First, under the proposal, the tobacco companies will

not be granted indemnity from future court actions because the rights of individuals to sue will be preserved.

Second, the curbs on advertising and marketing could not be achieved through legislation because the right to commercial free speech, which is a constitutional

right, can be given away only by the companies themselves.

Martin Broughton, group chief executive, BAT Industries, Windsor House, 50 Victoria Street, London SW1H 0NL, UK

Market value logic is hard to follow

From Mr James Carleton.

Sir, There seems to be an increasing consensus, not only that the UK stock market is overvalued, but that inevitably investors will eventually wake up to the abolition of dividend tax credits for pension funds and conclude that shares have suddenly become a great deal more expensive – and a sell-off will be precipitated. Although this theme also seems to be propounded by a number of FT commentators, I, at least, simply do not follow the logic.

Are not companies, particularly large international ones, valued by the markets according to their own worth? Of what relevance or interest is it to, say, a US investor in Glaxo, that the UK chancellor has decided that an additional group of UK investors should bear tax on their investment income? Why does this make Glaxo any less attractive relative to Merck?

There may be good reasons for concluding that the stock market has reached an unsustainable level, but I submit that the abolition of tax credits for pension funds is not one of them.

James Carleton, Grangeclare, Park Lane, Ashhead, Surrey, KT21 1DW, UK

Surfing: age no barrier

From A. L. T. McCammon.

Sir, I am proud to inform Louise Kahoe ("Senior service", August 20) that my mother, in her mid-80s, has just taken delivery of her second computer. She has been taking lessons from her grandson. We're not certain what went wrong with the first model, but we suspect its memory was inadequate.

A. L. T. McCammon, Tägerstrasse 20, 8127 Forch, Switzerland

دكتور من الأهل

FINANCIAL TIMES

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Tuesday August 26 1997

Europe shows signs of life

The continental European economy, so long in the doldrums, is moving at last. Low interest rates, weak currencies and the virtual completion of fiscal consolidation are providing the favourable wind. The big question is whether policy-makers will take advantage of this opportunity to tackle structural obstacles to low unemployment and fast growth. The answer may well be no. If so, the recovery will fall short of what Europeans desire.

The happiest news is the growth rebound in the continental economies in the second quarter of 1997. In Europe as a whole the annualised growth rate between the first and second quarters was 5.2 per cent, with every country set to post at least 3.5 per cent growth. JP Morgan argues that the stage is set for a prolonged period of growth at 3 per cent or above.

The bellwether, Germany, now has long-term rates of interest at 5½ per cent and short-term rates at 3 per cent. The weak D-Mark has also helped generate a strong improvement in its external balance. According to the economic survey of Germany, published last week by the Organisation for Economic Co-operation and Development, the improvement in the trade balance should contribute some 40 per cent of the economy's expansion this year.

The European Union's economy is enjoying the same traded growth. The OECD has forecast that its external surplus will rise from 1 per cent of aggregate GDP in 1996, to 1.4 per cent this year and 1.6 per cent in 1998. At \$114bn in 1997, the EU's expected current account surplus is forecast to be significantly greater than Japan's, at only \$80bn. Remarkably, the king of the castle is Italy, expected to generate a surplus of \$90bn in 1997, or 4.3 per cent of its GDP.

The combination of strong fiscal consolidation with weak monetary policies and weak exchange rates was always likely to produce such outcomes. Can they last? One reason they might not would be an exchange-rate reversal, as the balance of payments positions

of continental Europeans and Japan improve, while those of the UK and US deteriorate.

Another threat could be the divergence in inflation conditions across continental Europe. Underlying consumer price inflation is well below 2 per cent a year in Germany and France, but above it in Italy, Spain and the Netherlands. An important question, therefore, is how monetary policy will be set over the next 16 months or so.

This depends, in turn, on prospects for economic and monetary union. Emu is very likely to go ahead in 1999, now that both Germany and France seem set to end 1997 fairly close to the Maastricht Treaty's 3 per cent target for the fiscal deficit, yet with the former not markedly closer than the latter. Moreover, Emu is now likely to include every country wishing to join, including Italy.

If so, the Bundesbank would effectively become Europe's central bank from the time the decision on membership is made early next year. It may then decide that tightening is needed, to ensure that the new European Central Bank inherits its ideal environment of very low inflation.

Such a decision would, in turn, reflect its pessimistic view of the extent to which current high unemployment is structural. In its most recent Economic Outlook, the OECD reflected the conventional wisdom in arguing that over 90 per cent of Europe's unemployment is structural. True or not, that perception could well become a self-fulfilling prophecy, at least in the medium term, because of the fear of renewed inflation.

This, in turn, suggests that a strong reduction in the current unemployment rate, of some 11 per cent, is likely to occur only if serious efforts are also being visibly made to eliminate Europe's structural economic rigidities. This would be true even if those rigidities were less of an obstacle than central bankers believe, in sum, Europe needs this happy period of renewed growth to be taken as an opportunity for radical reform, not as an excuse for postponing it.

A difficult fix

A British university student has a one in five chance of becoming a customer of the \$400bn-a-year international drugs industry. The figures for other western countries are similar.

Yet many who take drugs, particularly cannabis, are in other respects ordinary law-abiding people.

The easy-going acceptance of soft drugs by young people contrasts increasingly with the criminal culture of the drug rings and the evils of addiction which they promote. Something, it is widely agreed, must be done. But what? British opinion, like that in most western countries, is deeply divided.

Those who seek more prohibitions or stronger enforcement have to admit that such policies have been far from successful in recent years. On the other hand,

those who favour legalising some or all drugs remain a minority, mainly because of the fear that this would encourage consumption and abuse. The issues are so laden with emotion that most politicians retreat to the low ground of superficial moralising.

The inquiry into Britain's drugs laws, to be funded by the Prince of Wales Trust, is therefore much needed. The 13-member committee draws together excellent minds with wide experience. Viscountess Runciman, the committee's chairman, is wise to emphasise that she has no hidden agenda, for she faces two tasks of equal difficulty.

The first is to reach an authoritative conclusion. The second will be to persuade the public to accept it.

Latin security

The US has managed to annoy all three of the big states in Latin America's southern cone. It has upset Argentina by offering to sell F-16 fighters to Chile, and it has irritated Brazil and Chile by singling out Argentina as a "close non-Nato ally".

Carlos Menem, the Argentine president, made matters worse last week by publicly criticising Brazil's bid for a permanent seat on the UN Security Council, which he said would "provoke a regional imbalance". Jose Sarney, the former Brazilian president, accused Mr Menem of making himself the instrument of a US conspiracy to "destabilise" the Mercosur trading group (which links Argentina, Brazil, Paraguay and Uruguay) in favour of the Clinton administration's plan for a continent-wide Free Trade Association of the Americas.

Things were patched up at the weekend summit of the 14-nation Rio Group, which agreed on a call for regional free trade by 2006 at the latest. Fernando Henrique Cardoso, Brazil's president, agreed with Mr Menem that the Security Council issue must not be allowed to weaken ties within Mercosur, and even implicitly endorsed Argentina's proposal that a new permanent seat could rotate among Latin

American countries, instead of being reserved for Brazil.

Still, the prickly response of all three governments shows how strong mutual suspicions remain, and how difficult it is for US diplomacy to steer a course between them. Any move to gratify one state is liable to cause offence in another, and to be interpreted as an attempt to divide and rule. Like west Europeans, south Americans suffer from a collective inferiority complex towards the US, and find it easiest to unite in response to US manipulation, real or imagined. Brazil often plays the French role of calling others to order, and condemning those it sees as too subservient to US interests.

The US needs to pick its way through this bramble patch with special care, and above all avoid fuelling a regional arms race, which would be an absurd way for the states of the southern cone to spend the proceeds of growing trade. The region's real security problems – correctly identified in last week's Chilean defence white paper as including drug-trafficking, terrorism, and threats to the environment – will not be best tackled by spending large sums on advanced fighter aircraft.

Mahathir's whitewater ride

James Kynge wonders whether Dr Mahathir Mohamad's pursuit of rapid growth for Malaysia is leading to delusions of grandeur

Massive and rapid growth is a wonderful buffer. Like a river in flood it hides the rocks on the river bed.
— Dr Mahathir Mohamad

The inexorable pursuit of growth has been the defining characteristic of Mahathir Mohamad's career and has made Malaysia's prime minister into one of the most admired leaders of any emerging country. The symbols of his success are on display in Kuala Lumpur, the capital. The Petronas Twin Towers, the tallest buildings in the world, thrust up into a dizzy, tropical sky. Proton, the national car, clogs the main roads. Outside the city, an airport billed as one of the world's most advanced is nearing completion.

But suddenly, nine years of annual growth above 8 per cent appears to be at an end. The flood is subsiding – and many people are wondering how much of Dr Mahathir's achievement is imperilled by the rocks below.

"Our past excesses are coming back to haunt us," says Mr Lim Guan, a member of parliament for the opposition Democratic Action Party. "We have been building castles in the air."

Though Malaysia's problems are less severe than those of neighbouring Thailand, they share a similar genesis. Export-led growth in the late 1980s led to a construction boom which was sustained by bank lending to property rather than to manufacturing. Now export growth is sputtering just as an impending property glut threatens to drive asset values down. Share prices have fallen by a total of \$160bn (\$58bn) this year, more than the entire gross domestic product in 1996. The banking sector, alarmed by a level of domestic indebtedness that amounts to a staggering 170 per cent of GDP, is raising its provisioning against bad loans.

None of this has yet affected Dr Mahathir's moral or executive authority. After 16 years at the helm, both are stronger than ever. But the danger signs in the economy are beginning to make his insistence on rapid growth – and especially the "megaprojects" which have become synonymous with his leadership – look inadvisable, if not foolhardy.

Mr R.S. Jomo, a respected professor in the faculty of economics and administration at the University of Malaya, singles out what



he calls "economically indefensible" projects: the \$13.6bn Bakun dam in the remote jungles of Borneo; a multi-billion dollar project to lay a road over peninsular Malaysia's mountainous spine; and a project to reclaim six islands off the sparsely populated north-west coast and build an international airport on one of them, costing \$630bn (compared with a total GDP in 1996 of \$4130bn).

Some economists also question the highest of all Dr Mahathir's pet projects – the Multimedia Super Corridor, with which the prime minister hopes to drag his country to the vanguard of the information age. The idea is visionary. So is the expense. The twin cities in the corridor's heartland (Putrajaya and Cyberjaya) will cost at least \$35bn to build. "He [Mahathir] seems to have a tendency for monumentalism,"

says Mr Jomo. "It is the latest decade of growth which has sired this profligacy." Such public criticism is rare in Malaysia, except from opposition politicians.

Cost apart, the manner in which some big projects were conceived is coming under fire. Mainly in the interests of speed, contracts were awarded without an open, competitive tender. Managers were selected on the basis of what appears little more than gut instinct.

Ting Pek Khing, the tycoon managing the Bakun dam, won Dr Mahathir's blessing after he expressed the prime minister by building a hotel in just 63 days. He had no prior experience of power projects, nor of complex financing procedures.

Another businessman hand-picked by Dr Mahathir to turn around Perwaja steel, a state-run steelmaker, led it to insolvency

last year, with debts of \$66.9bn and \$82.95bn in losses.

Despite the warning signs, Malaysia's appetite for growth seems undiminished. During the recent southeast Asian currency crisis, the central bank's priority was to keep interest rates from rising too much (so as not to slash growth), rather than to defend Malaysia's currency.

And Dr Mahathir remains adamant that his go-for-growth philosophy remains unaltered. Earlier this month he unveiled yet another vast project: a new administrative capital for the state of Sarawak on remote Borneo. It is to be 2,020 acres in size, echoing his "Vision 2020" programme under which Malaysia is supposed to grow by 7 per cent per year to attain developed status by 2020.

Dr Mahathir also expressed enthusiasm for plans to build the

longest bridge in the world linking Malaysia to the Indonesian island of Sumatra.

"He is getting carried away, but who will dare tell him?" asks a government official, who declined to be identified. "We should be following more rational policies but if you suggest slowing the economy down, it is not popular."

Anwar Ibrahim, the deputy prime minister and finance minister, has in the past taken issue with some of Dr Mahathir's projects, such as the Bakun dam. But he is still has reservations, he has shown no sign of wishing to speak up now.

Some observers think that the prime minister is putting on a brave face, but, behind the scenes, is preparing to postpone large projects and curb imports. If this is the case, then Dr Mahathir is a master of disguises.

A political fall-out?

concerned about stability.

Indonesia and the Philippines are helped by expectations that their currency crisis should be relatively short-lived. While private sector economists have slashed their growth expectations for Thailand, the average 1997 growth prediction for Indonesia has fallen only marginally to 7.4 per cent, according to Consensus Economics which monitors leading forecasters. That for the Philippines has been cut, but again only modestly, to 5.6 per cent from 6.1 per cent.

The Indonesian rupiah was attacked because it was "guilty by association", says Kevin Grice of American Express Bank in London. A tradition of flexibility in exchange rate policy

and broad-based export industry means Indonesia's markets should rebound quickly, allowing interest rates to fall back. Though the Philippines has a large trade deficit, exports are rising strongly.

Moreover, the Indonesian election will be through a college mainly comprising the existing legislature, dominated by the ruling Golkar party, and representatives of the military. The issues have more to do with personalities than with the rupiah, says Bruce Gale, of the Political and Economic Risk Consultancy in Singapore. Assuming President Suharto stands, there is no doubt that he will win. Of greater concern is his – still unpredictable – selection of a

running mate who will be seen as his eventual successor.

Expectations of stability could change if the currency pressures persist, forcing central banks to keep interest rates high for a long time, cautions Gavin Greenwood of Control Risks in London. If a squeeze led to an increase in unemployment or a clampdown on food subsidies, there could be social unrest. There is popular resentment against the elite in Indonesia, which last year suffered violent demonstrations in support of Megawati Sukarnoputri, who had been removed as leader of the opposition.

The Philippines also has a tradition of labour militancy. Any persistent and widespread eco-

nom problems could play into the hands of Joseph Estrada, currently vice-president but effectively the opposition presidential candidate. He is disliked by business and the military, but enjoys strong grass roots support as a popular former film star; he is ahead in the polls.

As for Thailand, most are agreed that some form of political crisis is inevitable because the credibility of Chavalit Yongchaiyudh, the prime minister, has collapsed. The Bangkok intelligentsia is said to have lost faith in a democratic process that has produced one weak cabinet after another. But, says Mr Greenwood, the military has no desire to take over. The question is: who would want responsibility for dragging Thailand out of the mess into which it has sunk?

Peter Montagnon

OBSERVER

Tap dance partners

■ So what's going on in the cloak-and-dagger world of corporate investigators? First Jules Kroll, the grand old man of freelance spooks, decides to sell Kroll Associates to armored car-maker O'Garra – but only after flirting with suitors including Coopers & Lybrand and Equifax. Now two mid-sized firms – Decision Strategies and Fairfax Group – have merged.

Fairfax chief Michael Herschman, a former Watergate investigator who founded the firm back in 1983, says the merger is all about becoming more international. Cross-border investigations are on the increase as clients try to keep tabs on exactly who they're doing business with. The merged firm will have 20 offices in useful places like Moscow and Puerto Rico.

But while the "investigative consulting" business is growing fast, it's also attracting big hitters; Coopers & Lybrand is only one of the big accountancy firms that want a piece of the action. Herschman and Decision Strategies boss Bart Schwartz – who used to be something big in the US Attorney's Office – think they can stay one step ahead by remaining independent.

Herschman questions the

wisdom of Kroll opening itself to public scrutiny by selling to the quoted O'Garra, and says there's a no chance of Decision Strategies/Fairfax seeking a stock market listing in future. He reckons private investigators should stay that way – strictly private.

Swiss role

■ Whisper it quietly – the position of head Swiss gnomes is up for grabs. Jean-Paul Chapuis, 62, who has run the Swiss Bankers Association for 16 years, is going at the end of 1997; his deputy, Heinrich Schneider, 62, also wants to be off within the year.

Normally the job would be easy to fill. Markus Lusser, Chapuis's predecessor, used it as a stepping stone to become governor of the Swiss National Bank, and Nikolaus Senn, a former chairman and chief executive of Union Bank of Switzerland, is one of several SBA alumni who went on to great things.

But things haven't been the same since the Swiss banking system was deregulated and the SBA's job shrunk to collecting statistics and acting as a lobbying organisation. It is jolly good at the former, but has done a lousy job defending Swiss banks against the highest threat to their image – allegations about their dealings with Nazis.

Pen and ink

■ Have feathers been ruffled round at France's normally seamless house of Bic? Yesterday's statement about its planned takeover of fountain pen company Shaeffer was a veritable outburst from the normally taciturn pens-to-razors group.

Late founder Baron Marcel Bich set the secretive tone. The man who designed the classic crystal biro gave only three interviews to journalists during his 40-year career – and was hardly more communicative with financial analysts or investors.

Son Bruno, who now chairs the group, has maintained the family tradition; since taking the helm in 1993 he's moved into correcting fluids – buying Wite-Out in the US and Tipp-Ex in Germany – and proved himself a master of the curt prepared statement.

But the smooth and silent strategy hasn't worked this time. Having heralded the takeover of US-based Shaeffer a few weeks

Springer surprise

■ As if talk of a cabinet reshuffle was not enough, Helmut Kohl's return to work yesterday was marred by another piece of unwelcome news. Kai Diekmann, erstwhile political editor of Bild Zeitung and a confident and sympathetic biographer of the German chancellor, appears to have been sidelined.

Officially, Diekmann's gone on holiday until his contract at Germany's highest-selling daily runs out next March. The broader question is whether his absence – just as the drama heats up ahead of next year's national elections – is evidence of a political shift within Bild publisher Axel Springer Verlag.

It's no secret that chairman Jürgen Richter would like to rid the company of its image as a bastion of conservatism and a poodle to Kohl's Christian Democrats. Already lagging in the opinion polls, there'll be more unhappy reading for the chancellor if a loyal supporter like Springer is starting to hedge its bets.

Financial Times

100 years ago

The Canadian Railways
If the Canadian railways progress at the present rate, we shall be compelled to add a special eulogist to our staff, because the traffic increases are becoming a trifle monotonous for all save the holders of stock. The Canadian Pacific's little increase for the third week of August is a trifle of \$102,000. And with the boom in the Far West and heavy wheat crops the aggregate increase should soon leave its present level of \$1,062,000 very far behind. Further, our old friend the Grand Trunk, having determined upon reformation, has gone at it in its characteristic bull-dog fashion.

50 years ago

French Bank Shares
Paris, 25th August. The French State will abandon its minimum participation in the biggest French colonial bank, the Banque de l'Indochine, following an agreement signed last month and just ratified by shareholders meeting in connection with the renunciation by the bank of its bank-note issue privilege in Indo-China. The transaction is especially noteworthy in view of the fact that for the first time since the Liberation the French State has withdrawn from an important private enterprise.

Politburo leaders sentenced over Berlin Wall killings

By Frederick Stüdemann
in Berlin

A Berlin court yesterday drew a line under the darkest legacy of East Germany when it sentenced three of the former communist state's most senior politicians to jail for the killing of refugees attempting to flee over the Berlin Wall to the west.

The Berlin county court handed down a six and a half year prison sentence to Egon Krenz, 60, successor to Erich Honecker as general secretary of East Germany's communist party (SED) and former head of state.

Günter Schabowski, head of the SED in Berlin, and Günter Kleiber, economic adviser in the Politburo, were each sentenced to three years. The verdicts end more than five years of efforts to establish responsibility for the killing of more than 200 people who were trying to flee East Germany's heavily guarded frontiers.

In passing sentence, the judge said that as members of the Politburo the three defendants had been prepared to accept the death of unarmed citizens rather than their successful flight to the west. In the Politburo the three had actively supported the "class duty" of East Germany's poli-



Countdown to judgment

- Oct 88: Honecker toppled and succeeded by Krenz
- Nov 89: Berlin Wall breached; borders opened
- Jan 92: First verdicts in trials of former border guards, one sentenced to three and a half years in prison, others get probation; federal high court later confirms verdicts, opening way for more trials
- Jul 92: Honecker returns from exile in Moscow
- Nov 92: Trial starts of Honecker, secret service chief Erich Mielke, former prime minister Willi Stoph and six others on charges related to border killings
- Nov 92: Mielke and Stoph deemed unfit to stand trial
- Jan 93: Honecker deemed unfit to stand trial; leaves Germany to settle in Chile; dies of cancer May 1994
- Jul 94: Higher federal court confirms verdict in trial of remaining defendants. Three jailed for between three and seven and a half years
- Nov 95: Seven politburo members, led by Krenz and Günter Schabowski, go on trial
- Sep 96: Six generals jailed
- Nov 96: Constitutional court rules that even if border killings were not offence under East German law, trial can continue as killings were infringement of basic principles of justice and violated generally accepted concepts of human rights

icy of border security. In reality, this was "an ideological order to shoot", the judge said. Mr Krenz was sentenced for the killing of four people who co-defendants for three killings. All the killings occurred in Berlin between 1984 and 1989 when communism collapsed and the wall dividing the city was breached.

Supporters of Mr Krenz, who

was responsible for border policy, jeered as the verdict was read. "I will not give in," shouted Mr Krenz, who will appeal to the federal high court. Mr Krenz was taken to a nearby prison where Mr Honecker, who died in 1994, had also been incarcerated while awaiting trial. Mr Schabowski and Mr Kleiber are to remain free until the verdicts

become legally binding. The verdict was welcomed by the main political parties, but the Party of Democratic Socialism, successor to the SED, criticised it as a "farce".

In a statement delivered by his son, Mr Krenz said he had been sentenced for his political position rather than for a crime. "The political repression is revenge for the fact the GDR [East Germany] existed," the statement said.

Former Soviet leader Mikhail Gorbachev criticised the sentencing, saying there were "neither legal nor moral reasons for the conviction".

During the trial Mr Krenz had disputed the legitimacy of the court. He claimed it was carrying out "victor's justice" by applying what were originally West German laws retrospectively to events which had taken place in East Germany.

Germany's Constitutional Court had ruled last year that the border killings were cases of "extreme injustice" which violated generally accepted principles of behaviour and cases could therefore be brought to trial. The trial of Mr Krenz followed earlier cases against other politicians and border guards. Mr Honecker himself was deemed unfit to stand trial and settled in Chile where he died in 1994.

BT drops MCI merger escape clause

Continued from Page 1

ened by angry MCI investors, the amended agreement also contains a promise by BT to indemnify MCI directors against claims by third parties if the merger fails because of BT shareholders.

The agreement also spells out that MCI directors are responsible for the "completeness and accuracy of the information and forecasts" about its business to be supplied for regulatory purposes. MCI's profits warning had sparked friction over who knew what and when. The new agreement also adds language about "knowing and intentional or willful omission or misstatement" in relation to representations made by each company.

It also confirmed market expectations that BT's dividends for the current year - for which MCI shareholders will not be eligible - will not exceed 30p per share.

In New York, MCI shares were \$3 higher at \$30. BT American Depositary Receipts, each representing 10 BT shares, were off \$2 at \$67. At this price, the new offer values MCI shares at about \$32. The London stock market was closed for a public holiday.

Hutchison to take legal action on Subic Bay bids

By Justin Marozzi in Manila

Hutchison Whampoa is to take legal action to stop the Philippine authorities reopening the bidding for the privatisation of the Subic Bay container terminal.

The Hong Kong conglomerate was poised to sign the lucrative contract in January, when Fidel Ramos, Philippine president, stepped in and ordered a re-run of the bidding, on the grounds that tendering rules had been violated.

The Subic Bay Metropolitan Authority awarded the contract, to develop and operate the terminal, to a joint venture between Hutchison and Guoco Holdings Philippines, a local company, even though their bid was much lower than that of International Container Terminal Services, the Philippines' largest port operator. ICTSI had bid \$57 per 20ft equivalent (TEU) - the stan-

dard measurement for containers - compared with Hutchison's \$20.5.

But SBMA ruled out ICTSI on the grounds that it broke competition regulations which prohibit a company from controlling more than 20 per cent of a rival port.

Hutchison yesterday confirmed a complaint against SBMA had been filed last month but declined further comment. The legal move is the latest problem to dog the port privatisation, and is seen as an attempt to make the government back down and accept the SBMA decision.

ICTSI, which will participate in the pre-qualification process for the re-bid in the second week of September, said yesterday it was monitoring developments.

SBMA said it would be asking the court whether the Ramos administration "may substitute its own decision for

that of SBMA in awarding the contract in favour of Hutchison and order a rebidding of the project".

According to a Manila newspaper, Hutchison states in papers filed to the court: "A contract between [Hutchison] and SBMA existed. It is valid, enforceable, not disadvantageous to the government and was evaluated in strict accord with SBMA's own bidding rules."

Three direct interventions by President Ramos in the Subic Bay bidding process prompted John Meredith, managing director of Hutchison International Port Holdings, to criticise the Philippines' handling of international tenders.

The interventions reinforced foreign investors' fears that Manila was determined to ensure that tenders attracting international bids went to local companies.

Air India contract may hinge on offset investment

Continued from Page 1

and 11 Airbus. Vinesh Kesar, Boeing's India representative, said an offset requirement would be "no surprise".

"When the MCLR project happens we'll do whatever it takes to make sure the government is satisfied," he said.

Mr Nair, who took over as

HAL's chairman this month, said the group had been "aggressively" seeking an offset component to the deal as part of its drive to increase commercial revenues.

THE LEX COLUMN

DuPont sows soybeans

In two months DuPont has spent over \$6bn on acquisitions - \$3bn buying industrial chemicals businesses from ICI and another \$3.2bn beefing up its agrochemicals arm. On the face of it, the US chemicals leader is pulling in two different directions. The ICI operations are old-style, commodity businesses. Agrochemicals, by contrast, are as much about genetically engineered seeds as about spraying bugs these days, with clever technology bringing higher margins. Monsanto, shedding its bulk chemicals to concentrate on higher-growth life sciences like agrochemicals and pharmaceuticals, has provided a radical role model.

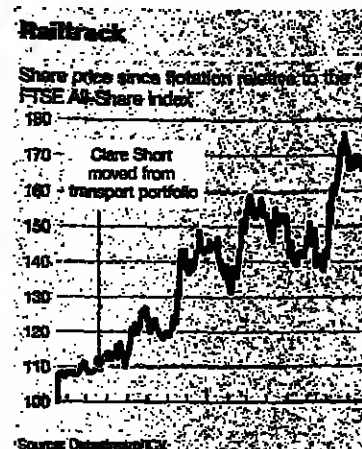
In fact, DuPont's thinking is not that different. The ICI businesses are no more than an opportunistic in-fill, enhancing the group's market positions in areas where it is already strong. The two agrochemical acquisitions are the strategic step forward. DuPont has some clever technology; it has, for instance, genetically engineered a soybean that is sweeter and more nutritious than the original. But the \$1.7bn deal with Pioneer Hi-Bred will strengthen its research capability, while the \$1.5bn acquisition of Protein Technologies brings 3,000 customers and 75 per cent of the world market for supplying soy protein.

If consumers, so far reluctant to buy genetically engineered products, can be convinced there is something in it for them, such as better taste, this market has huge potential. Still, as DuPont's chemicals and life sciences activities diverge technologically, the case for keeping them under one roof becomes weaker. ICI, Novartis, Monsanto and Hoechst have all accepted this logic. DuPont should think about a demerger.

UK rail

For a scheme once generally derided as crackpot, Britain's great rail privatisation project has proved rather a success. Certainly there has been little sign of the much-predicted collapse of the restructured network into a morass of paperwork and giggling counter-

claims. And whilst the service has not been transformed, the improvements have been real enough. Delays fell 30 per cent between 1988-96 and 1996-97. Investment is well above British Rail levels. Commuter fares, long a government milch-cow, are now capped below



the rate of inflation. And for the first time in 15 years, complaints are down. Ah yes, say sceptics, but is this surprising when the government lubricated privatisation so liberally with cash? Subsidy to the railways used to run at about \$1.5bn a year; last year, a thumping \$2.1bn was pumped into operating franchises. But this is to compare apples and pears. Subsidy has risen because franchisees now have to pay access charges to Railtrack. Moreover, payments to franchisees are set to fall - by 2002, they will be just \$1bn in today's prices. How will the operators cope? By cutting costs, something they have already been going about with gusto. By March, National Express had axed a fifth of the workforce in its first two franchises.

So far so good. But one unfortunate aspect of this otherwise benign picture sticks out: the bargain-basement prices at which the businesses were sold. The staggering outperformance of Railtrack shares (see chart) suggests the flotation was badly underpriced. So were rolling stock leasing companies such as Porterbrook, sold on by the initial buyers within months for a profit of more than 50 per cent. Some of the early franchisees, notably Stagecoach's South West Trains, also went for a song.

Part of the explanation is the usual cocktail of risk-averse advisers and a government in a hurry. There was also political risk, much alleviated when Clare Short, Labour's tough-talking former transport spokesman, moved on. Nevertheless, it is striking that investors found these new beasts so tricky to value. Take Railtrack. With hindsight, it should give the City food for sober thought that all the usual signs - an overmanned industry, an undergeared balance

sheet, extraordinary overprovisioning - were not more accurately priced. But what now? Despite strong investment fundamentals, three big challenges lie ahead. The first is political - especially with John Prescott, the deputy prime minister, in charge. True, Mr Prescott has come tantalisingly close to dangling a gigantic carrot, road pricing, over the rail industry's head. But such an enticing possibility makes it even more essential that the privatised businesses keep the government sweet.

Can they? In theory, better performance and increased investment should give the companies a good political story to tell. But it would be idle to pretend that privatisation is going to do much about the biggest source of public moaning - uncomfortable and overpacked commuter lines. Operators have little incentive to improve these since most passengers have no practical alternative. It is elsewhere that dramatic improvements are likely to be visible; on long-distance routes such as the West coast main line, for instance, where remarkable changes will be needed for Virgin to deliver the staggering revenue growth its financial projections require.

Then there is the industry's second big challenge: the next phase, often forgotten, when competition is to be introduced. From 1999, franchisees will be vulnerable to other operators picking off their customers. And although there may be few obvious external new entrants, existing operators will almost certainly try to expand beyond their current patches. Plainly, that poses a potential financial threat. But the practical consequences are also unpredictable; if anything is likely to put the network's web of contractual relationships under strain, competition will.

Finally, industrial relations should not be forgotten. Privatisation is no guarantee of immunity from strikes. True, apart from brief difficulties at South West Trains, the private sector's early experience has been remarkably smooth. And Railtrack's ability to cut costs has been greatly eased by the separate privatisation of lots of little maintenance units. Still, upstart staff have been a fact of life on the railways for as long as anyone can remember. With plenty of cost-cutting to come, it would be naive to interpret the current calm as a sign that industrial relations problems are necessarily history.

dominant role
in Vereinsbank

reveals expansion plans

European logistics

SScom bond

merger deal

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COMPANIES AND FINANCE: INTERNATIONAL

Russian utility plans \$500m bond issue

By Christy Freeland in Moscow

Unified Energy Systems, Russia's chief electricity supplier, yesterday announced a short-list of banks competing to manage a planned convertible bond issue expected to total around \$500m.

The offering is likely to be one of the largest and most closely watched of a wave of Russian corporate debt issues set to hit the international capital markets this year. At a time when Russia's privatisation programme has become mired in a series of corruption allegations, reformers in the govern-

ment are hoping the open tender process for the UES bond will help set new standards of fairness and transparency.

The six groups short-listed for the tender are a consortium of Credit Suisse First Boston and Menapet, a leading Russian bank; a consortium of Deutsche Morgan Grenfell, Goldman Sachs and Renaissance Capital, a Moscow-based investment bank; Merrill Lynch; Morgan Stanley; Salomon Brothers; and a consortium of SBC Warburg and Brunswick, a Moscow-based investment bank.

Analysis said the participation of

Russian banks in many of the consortia was a sign of their growing sophistication and that western investment banks would increasingly team up with locals.

Under the leadership of Boris Brevnov, 29-year-old protégé of Boris Nemtsov, a leading cabinet reformer, UES has become the test-case of the government's promise to restructure Russia's bloated monopolies. Over the weekend, UES agreed to co-operate with Gazprom, Russia's natural gas giant, in battling the non-payments crisis which is the country's greatest economic problem.

Mr Brevnov, a former commercial banker, said that within 10 days a tender committee made up of UES and government officials would determine the winner of the bond competition.

Although the size of the UES bond, which will be backed by a 2.5 per cent state stake in the company, has not yet been decided, company officials said it was likely to be around \$500m.

Analysts in Moscow expected strong investor interest in the UES bond, citing enthusiasm for the company which has pushed share prices up nearly five-fold this year.

making it one of the top two Russian corporations by market capitalisation.

"Investors are interested in UES because it is a big Russia play. It is a play on the success of Russian reforms," one said.

Proceeds from the bond, effectively a vehicle for selling off part of the state stake in UES, are earmarked for the federal treasury, rather than for the company. The issue is part of the government reform team's concerted effort to raise money for the cash-strapped federal government by tapping rich, state-owned companies.

Chinese group to diversify

By James Harding in Shanghai

Haier Group, China's leading white goods manufacturer, is planning to expand its range through a strategic venture with a regional Chinese television and electronics producer.

The production of Haier-branded televisions will add to the competition in China's already oversupplied electronics market and underlines the company's ambitions to build a comprehensive consumer goods business.

Haier, one of the most successful companies to have emerged from China's troubled state sector, also plans to issue shares to international investors and is considering a dual listing in Hong Kong and New York.

The venture with West Lake Electronics, the largest producer of televisions and telephones in central China's Zhejiang province, will produce colour televisions and is looking to develop telephones, answering machines and fax machines. Haier is set to make an announcement in a few weeks and the first TVs are due to come to market later this year.

In an interview at the company's headquarters in Qingdao on China's east coast, Shao Minglin, vice-president, would not be drawn on the planned expansion into the TV market, but said only that "early in the next century we want to be one of the top 500 companies in the world and to do that we will have to widen our business".

Haier has taken the leading share of the Chinese air conditioner market and, with rival Guangdong Kelon, controls nearly half the refrigerator market.

Mr Shao said Haier expected sales of more than ¥10bn (\$1.2bn) in 1997, continuing the company's rapid growth in turnover from ¥1.1bn five years ago. The company reported profits of ¥306m in 1996 and expected the figure to rise by 40 to 50 per cent this year.

Haier, which has already issued A-shares - reserved exclusively for mainland Chinese investors - is seeking government approval to issue shares to foreign buyers. Mr Shao said no details could be given on the timing or scale of the issue, but that a Hong Kong listing was more likely than a flotation in Shanghai and that the company was mulling a dual listing in New York.

He said the company would benefit from the added discipline of having to answer to foreign shareholders. "We now shoulder very heavy pressure, but ideologically there is still not enough pressure."

The company is pursuing an active programme of international expansion. Zhang Ruimin, president of Haier, is in Malaysia finalising the company's second production facility in south-east Asia, having already established a factory in Indonesia. Haier is also in talks with potential partners to open factories in South Africa and Mexico.



Household appliances are Haier Group's 'pillar industry'

The company is also diversifying into pharmaceuticals production. Mr Shao says this move reflects the strength of its "pillar industry" - household appliances - and is being conducted on a trial basis. "If it fails, it will have no influence on our pillar industry. If it succeeds, then we will support it," he said.

Colombian banks unveil merger deal

By Adam Thomson in Bogotá

Banco Industrial Colombiano (BIC), Colombia's sixth-largest bank, announced an agreement yesterday with the family-owned Banco de Colombia to merge the two institutions and create what will be the country's largest bank, with 16.5 per cent of the banking system's assets.

Under the terms of the agreement, BIC - owned by the powerful Sindicato Antioqueño industrial group - will acquire 51 per cent of Banco de Colombia's outstanding shares. The merged bank will have combined assets of \$3.5bn.

BIC said it would acquire the stake through a share issue, but details of the transaction were not immediately clear. Banco de Colombia had a market capitalisation of 447.5bn pesos (\$389m) at the close of trading on the Bogotá stock exchange last week.

The deal, which took analysts by surprise, was the latest move in a growing trend of consolidation among Colombia's domestic financial groups as they seek to fend off increasing competition from foreign banks.

It followed a move last

week by the Luis Carlos Sarmiento Angulo Organisation, Colombia's biggest financial services group, to take control of one of the country's eight savings and loan corporations.

Banco Bilbao Vizcaya and Banco Santander, the Spanish-based banks, entered the local market last year with purchases of Banco Ganadero and Bancoquía, respectively.

"The merger announcement is a very strong response to the foreign competition," said Alejandra Torres, head of research at ING Barings in Bogotá. "Banco Ganadero, until now Colombia's leading bank in terms of assets, will stand at a slight disadvantage to the new entity," she said.

The new bank, whose name is yet to be decided, will be managed by BIC, while Isaac and Jaime Gilinsky, majority shareholders of Banco de Colombia, will remain significant shareholders in the new entity.

Banco de Colombia is the country's second-largest bank by assets, with a 10.14 per cent share of Colombia's banking systems assets.

Its planned merger with BIC follows a failed \$300m deal with the Spanish Banco Central Hispanoamericano earlier this year.

INTERNATIONAL NEWS DIGEST

Early retirements hit IDB profits

Israel Discount Bank, the country's third largest, yesterday said expenses for an early-retirement programme initiated during the second quarter led to a 9 per cent decline in net income in the first half of 1997.

Net income slipped from \$40.7m in the first six months of 1996 to \$37m during the same period this year, including the \$15m one-off charge. Excluding the charge, net income climbed 22 per cent to \$52m over the same period. An IDB spokeswoman said the bank employs about 5,500 staff and plans to reduce the workforce by "hundreds" by the end of October. IDB also said it would distribute an interim dividend of \$1.40m (\$11.40m).

Income from financing activities before provisions for doubtful debts fell nearly 7 per cent, from \$33m in the first half of 1996 to \$31.2m in the half this year. Provisions for doubtful debts fell 4 per cent from \$57m to \$54.7m over the same period.

Ari Machlis, Jerusalem

POLAND

Market calm over Framondi buy

A mere 3 per cent increase in the stock price of the Swieck mill, Poland's largest paper and board producer, showed the Warsaw Stock Exchange reacting calmly yesterday to last week's purchase of a controlling stake in the company by Framondi, a partnership between Franchach from Austria and Mondi Minorco, a Luxembourg registered company controlled by the Anglo-American Corporation. Last week Framondi agreed to pay \$145.5m for a 60 per cent stake in Swieck and promised to invest \$15m in the company over six years. Yesterday the share price stood at 19.5 zlotys valuing the plant at \$278m. Swieck reported a 23m zloty net profit after the first seven months of this year and is trading on a price earnings ratio of 24.7.

Christopher Bobinski, Warsaw

BANKING

Polish licence for US bank

The Bank of America has received a banking licence from the National Bank of Poland, the central bank, becoming the second US bank to open a wholly owned subsidiary under Citibank entered the Polish market in 1991. The Bank of America will offer corporate banking services in addition to its venture capital activities in Poland. The bank recently won the mandate to arrange \$117m worth of financing for Enron's gas fuelled heat and power plant in Nowa Sarzyna.

Christopher Bobinski

TAG HEUER

Doughty Hanson to sell stake

Doughty Hanson, the UK venture capital firm, is expected to sell the bulk of its remaining stake in Tag Heuer, the Swiss watchmaker, in a \$150m (\$107m) global institutional offering this week. The sale of Doughty Hanson's 600,000 shares, equal to 13 per cent stake of Tag Heuer's equity, comes less than a year after the group's badly handled initial public offering (IPO) on the Swiss and US stock markets. The shares were floated at Sfr245 a share in October 1996 but have never regained their issue price, even though the Swiss stock market has risen by nearly 50 per cent in the interim.

Tag Heuer, whose net income rose by 60 per cent to Sfr25.5m in the first half of 1997, has met all its forecasts at the time of last year's IPO. Its poor share price performance has been blamed on the mispricing of the original issue, which was led by Salomon Brothers and SBC Warburg. Tag Heuer has replaced its financial advisers, and the latest issue is being managed by Morgan Stanley with HSBC and UBS as co-lead managers.

The sale of the Doughty Hanson shares will increase the free float of Tag Heuer shares by about a third, and remove the uncertainty about Doughty Hanson's long-term intentions. Tag Heuer shares closed Sfr2 lower at Sfr225 yesterday.

William Hall, Zurich

FOODMAKING EQUIPMENT

Bühler disbands management

Bühler, one of the leading suppliers of plant and equipment for the food industry, is restructuring its business in a bid to boost its earnings by Sfr70m (\$50m) a year.

Urs Bühler, chief executive of the 147-year-old family business, has disbanded his group management team and has taken direct control of the food, chemical process, die casting and manufacturing and purchasing divisions. Business units are to be given greater operational autonomy and administrative services are being decentralised.

Mr Bühler said it was too early to say whether there would be any cuts in the 6,500 workforce, of which nearly half are overseas. Bühler, which has annual sales of about Sfr1.4bn a year, does not disclose its profit figures.

Mr Bühler said that the streamlining of the group was necessary to ensure that it survived the next century.

Bühler, based near St Gallen, is the world leader in areas such as flour milling machinery and also has a leading position in chemical processing equipment for the paint and ink industries, and die casting machinery for the automotive industry.

William Hall, Zurich

PAPER INDUSTRY

US papermakers to merge

Two Wisconsin specialty paper manufacturers, Wausau Paper Mills and Mosinee Paper, said they would merge in a stock swap valued at about \$442m. The merged company, to be named Wausau-Mosinee Paper, will have a market capitalisation of about \$1.2bn. Mosinee shares surged \$5.50 to 52-week high of \$30.40 in early trading on Nasdaq, where it was one of the biggest gainers. Wausau Paper was up \$1% to \$22.40, also on Nasdaq.

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Aga shares up 6.5% despite fall in profits

Aga, the Swedish medical and industrial gases group, reported a 15 per cent fall in profits for the first half of 1997 but still beat market expectations, prompting a 6.5 per cent rise in its share price. Reuters reports from Stockholm.

The company posted profits after financial items of SKr182m (\$103m), down from SKr196m a year ago, in spite of a rise in group sales to SKr7.07bn from SKr6.4bn. Earnings per share slipped to SKr2.19 from SKr2.89.

But the result was well ahead of market expectations of first-half profits of SKr735m and Aga shares rose sharply. The most-traded B share ended the day up SKr7.00 from Friday's close to SKr114.

Aga said currency effects were behind four percentage points of the sales increase, while operations in Puerto Rico, Ukraine and the US acquired in 1996 and 1997 contributed 4.5 percentage points.

It said the group underwent extensive restructuring in the first half of the year but confined the costs of these to SKr106m, for staff reductions, to the first quarter. "This restructuring is designed to increase customer orientation and raise efficiency and will have its full impact in 1998," it said.

The company said it sold a substantially higher volume of liquid gases, especially for the process industry, and specialty gases. It said the volume increase in cylinder

gases was weaker but improvement was notable in the second quarter.

This confirmed a general trend for the company which pointed to a better second quarter than the first.

"The second quarter of the year provided better earnings than the first, and the operating margin rose to 13.9 per cent compared with 12.7 per cent in the first quarter of 1997 and 12.4 per cent for the full year 1996," Aga said, adding that this was evidence that the restructuring measures were beginning to have an impact.

"We are thus well on the way towards achieving our goal of a 15 per cent operating margin by 1999 at the latest," said Leannart Selander, chief executive.

Private shareholders crucial to bank plan

By Andrew Fisher in Munich

Stephan Schüller is a confident man, but the director of Bayerische Vereinsbank is keeping his fingers tightly crossed in the hope that enough shareholders in Bayerische Hypothek- und Wechsel-Bank accept the offer aimed at creating Germany's second-biggest bank.

Failure of the agreed merger could damage the country's corporate image. Mr Schüller believes, since it would weaken the perception that German companies and banks can restructure properly.

The merged bank, to be called Bayerische Hypo- und Vereinsbank, plans to achieve annual cost savings of at least DM1bn (\$550m) in the first five years.

"If the deal does not go through, it will have a big impact on the whole German financial market," says Mr Schüller, who is playing a leading role in the merger. Share values of both banks and of other companies could suffer as a result, he says.

Hypo-Bank shareholders still have until September 10 to decide on the offer. Vereinsbank is prepared to exchange one share in Allianz, the insurance group, for six of Hypo-Bank. Vereinsbank will use most of its 10 per cent stake in Allianz for the exchange.

Institutions, which own 52 per cent of Hypo-Bank, are unlikely to decide until the end. Therefore, the bank is pulling out the stops to tempt as many private shareholders, representing 20 per cent, as possible - just to make sure.

With the Allianz shares worth some DM8bn - free of capital gains tax under a legal ruling on such share swaps - the exchange will be Germany's second-biggest capital market transaction since November's DM20bn share sale by Deutsche Telekom.

"I believe this exchange offer will be successful," says Mr Schüller. Full acceptance will give Vereinsbank up to 46 per cent of Hypo-Bank. With less than 40 per cent, the merger will fail.

Vereinsbank says that by accepting Allianz shares, Hypo-Bank shareholders will obtain a sizeable premium on the share price prevailing when the merger was announced on July 21. If the offer fails, the price

could drop. If it succeeds, those keeping their shares risk the later disappearance of this premium, depending on how the market moves.

Some analysts say the advantage to Hypo-Bank shareholders should be enhanced by the likelihood that their bank would have a smaller weighting in the merger than first estimated.

The banks initially suggested the merger ratio would give Vereinsbank 55 per cent and Hypo-Bank 45 per cent of the new bank. But a closer look at Vereinsbank's assets and hidden reserves suggest its weighting could be 60 per cent. Thus the value of the Allianz shares received by Hypo-Bank shareholders would be slightly more than the final weighting justified.

The actual merger ratio will be decided by independent auditors. The free float in Hypo-Bank shares - excluding those held by Allianz and Munich Re, which legally cannot take part in the offer - is 72 per cent. Vereinsbank needs 62 per cent of those to reach its goal. It is hoping shareholders will not be lulled into indecision by the warm August weather.

Although trading in European markets was very quiet prices steadied when US TREASURIES opened flat to slightly weaker without any aggressive selling pressure.

The benchmark 30-year bond was 4 1/2 lower at 96 1/2, yielding 6.683 per cent, in early trading. The 10-year bond was down 1/2 at 99 1/2, yielding 6.864 per cent, and the two-year note lost 1/2 to 99 1/2, yielding 5.942 per cent.

The Treasury market is awaiting the revision to second-quarter GDP, due on Thursday. Since last week's unexpectedly low trade deficit report for June, analysts have expected the figure to rise sharply from the initial 2.2 per cent estimate.

"A GDP revision higher than 3.5 per cent could put the Fed back on the table," said Jack Malvey, chief global fixed income strategist at Lehman Brothers in New York. A report on durable goods orders for July is expected today.

Today will also see the first of two Treasury auctions of two-year and five-year notes. "These are likely to set the tone for the rest of the week," said Tom O'Connell, senior government trader at First Chicago Capital Markets.

Confirmation that annual German inflation rose to 2 per cent in August from 1.7 per cent, although bad news for BUNDS, did not signal an imminent rise in interest rates, analysts said.

"So far, the justifications for higher rates seem to be too weak compared with the economic risks and political problems they imply," said UBS in Frankfurt.

All eyes on the Bundesbank

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Bond markets recovered some of their poise in quiet trading yesterday but failed to recoup the losses sustained during Friday's sell-off, which was sparked by fears of a resurgence in inflation.

With the UK market closed most attention was on today's German securities repurchase tender.

There has been intense speculation that the Bundesbank would set a variable interest rate for the repo, although analysts said yesterday it was unlikely to do so this week.

too weak compared with the economic risks and political problems they imply," said UBS in Frankfurt.

The benchmark September bond futures contract closed 0.10 lower at 101.85 in Frankfurt, but traders there said the market was extremely quiet, with little two-way trade.

In Paris the notional September futures contract on FRENCH BONDS settled up 0.02 at 129.46, having been as low as 129.34.

ITALIAN BTPs were weaker, with the domestic September futures contract closing 0.22 points lower at 135.65.

The domestic futures contract for SPANISH BONOS was steadier, closing 0.01 points higher at 116.68.

This announcement appears as a matter of record only

August, 1997



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COMPANIES AND FINANCE: INTERNATIONAL

Springer unveils expansion plans

By Frederick Stüdemann
in Berlin

Axel Springer, the German magazine and newspaper publisher, is to step up the development of new publications following the success of recent new launches and spin-offs of the group's existing titles.

Jürgen Richter, chairman, said the company would this week launch *AutoForum*, a new car magazine, and would reposition its existing title *Geld-Zeitung*, a personal finance publication.

He also said there may be further expansion of the family of titles based on the

Springer flagship *Bild-Zeitung*, Germany's biggest-selling newspaper.

Mr Richter also said Springer wanted to increase its international presence in the newspaper market, possibly in France, the UK or the US. Any international investment, however, must guarantee "a return flow", Mr Richter said.

The planned expansion reflects a turnaround at Springer following a period of sluggish growth. It has seen a significant increase in sales and profits in spite of high paper prices and weak consumer confidence.

Yesterday the company

announced a 47.2 per cent increase in first-half profits to DM118.5m (\$65m) on sales of DM2.2bn, up 4.5 per cent. Operating profits rose 46.8 per cent to DM229m.

Since taking charge in 1994, Mr Richter has revitalised the company. As well as improvements in the balance sheet and the launch of new titles, there have been moves to change the perception of the company as a bastion of right-wing opinion.

However, the shift in policy has brought Mr Richter into conflict with Springer's shareholders and employees. The removal of Kai Diekmann, deputy editor of *Bild-*

Zeitung and a confidante of Helmut Kohl, the German chancellor, brought complaints from journalists of management interference in editorial policy.

Kirch, the Munich-based media group which owns 40 per cent of Springer, is also thought to have opposed Mr Diekmann's removal, which was confirmed yesterday.

Mr Richter's willingness to defy Kirch is seen as a further sign that the balance of power among Springer shareholders has changed.

In the early 1990s, Mr Richter's predecessors resisted Kirch's attempts to exercise control of the group

in which it had built up a substantial stake. A settlement was reached in 1993, when Kirch was given a place on the board in return for selling some shares to the Springer family, which now owns just over 50 per cent of the company.

Initially Kirch's influence over Springer remained strong: Mr Richter was Kirch's choice for chairman. But recently relations have worsened as Kirch and Springer have fought for control of SAT-1, a commercial television channel in which both have stakes.

Observer, Page 9

Foster's down 15% after jump in tax cost

By Elizabeth Robinson
in Sydney

Brewing. Australia's largest brewer, announced a 15 per cent fall in net profit after abnormals last year to A\$250.5m (US\$187m) because of an increase in tax expenses from A\$21.1m to A\$70.9m.

However, it pointed to underlying growth in its main Carlton & United Breweries (CUB), which reported a double-digit percentage increase in profits. Total sales rose 9.6 per cent to A\$2.82bn.

Tax on Australian income was raised after Foster's used up its tax losses accumulated over several years. An abnormal charge of A\$17.8m was also taken, relating to restructuring at Molson Breweries, the Canadian brewer 40 per cent owned by Foster's.

CUB, Foster's core business, lifted profits 11.5 per cent to A\$364.1m, the fifth year of double-digit growth, on beer sales 3.8 per cent higher at A\$1.92bn.

Ted Kunkel, chief executive, said the unit had average growth of 13.8 per cent per annum over the past five years and last year increased its market share in Australia from 54 per cent to 55.2 per cent.

Foster's overall market rose in volume terms for the first time in eight years and Mr Kunkel said the start to the current year was "not bad".

The Chinese operations continued to be loss-making, reporting a deficit last year of A\$19m, compared with A\$17.1m the year before.

However, Mr Kunkel said: "We remain committed to our Asia strategy", adding that Foster's would continue to invest in China. The group was still on target to break even in China by 2000, he said.

Last year, volumes sold in China rose 36 per cent to 1.2m hectolitres and Foster's now has the capacity to produce 3m hectolitres.

The contribution from Foster's share in Molson fell from A\$61.1m to A\$56.8m, a result "below its potential", according to Mr Kunkel.

Mr Kunkel said negotiations were continuing with Miller, of the US, for Foster's and Molson to buy its 20 per cent stake in the brewer.

UK operations, through Intrepid, which is jointly owned with GrandMet, contributed A\$2.1m.

Laura Tyson

INTERNATIONAL NEWS DIGEST

Daf helps Paccar in second quarter

Paccar, the US heavy truck manufacturer which last year bought Daf Trucks of the Netherlands, raised profits and sales substantially in the second quarter. Net profits rose from \$51.7m to \$71.5m on the back of a 54 per cent jump in sales to \$1.5bn. The increase took first-half net profits from \$37.4m to \$129.4m while turnover climbed 47 per cent to \$3bn.

The company attributed the increases partly to the inclusion of Daf, but did not release separate figures for the Netherlands operation. Paccar, which manufactures under the Peterbilt and Kenworth brands, is the second biggest maker of heavy trucks in the US and also owns Foden in the UK.

"Paccar had an excellent second quarter. The demand for our high-quality products is good, though there is some pricing pressure within the industry," said Mark Pigott, chairman. "While the truck market in Europe is down somewhat from last year, it is still a reasonable market." *Hoig Simonson, Motor Industry Correspondent*

MOBILE TELEPHONES

Centertel buys Polish licence

Centertel, a Polish mobile telephone partnership between France Telecom and Telekomunikacja Polska, the state-owned telecoms operator, has agreed to pay \$100m for a new licence for a DCS 1800 network suited to urban areas.

Centertel currently has more than 200,000 subscribers on a nationwide NMT 450 mobile network which is working to capacity. It has been struggling to compete with two wholly private competitors operating more modern GSM networks. The two GSM networks, led by Deutsche Telekom and Air Touch of the US respectively, are growing fast and together have around 400,000 subscribers.

However, Centertel will now have access to around a quarter of the country's population in 10 cities because of the new DCS frequency. The cost of installing the new network is expected to reach \$100m.

Yesterday Andrzej Zieliński, Poland's telecommunications minister, said he expected the number of mobile telephone subscribers to reach 1m by the end of this year and "several million" by 2000. Poland currently has about 7m fixed lines installed. *Christopher Bobinski, Warsaw*

SWEDISH TAKEOVER

Trelleborg acquires Skoogs

Trelleborg, the Swedish mining, metals and rubber group, yesterday said it had acquired control of Skoogs, one of the country's leading electrical appliance wholesalers, for an undisclosed sum. The company, which last week announced a jump in first-half profits from SKr657m to SKr2bn (\$251m), bought 55 per cent of the capital and 80 per cent of the "B share" voting rights in Skoogs.

Although Trelleborg refused to put a total value on the deal, it said it was offering SKr75 a share for the remaining B shares in Skoogs. *Tim Burt, Stockholm*

AUSTRALIAN RETAILING

Woolworths warns of slowdown

Woolworths, the Australian retailer, lifted profits after tax and abnormals by 10.4 per cent to A\$258.3m (US\$193m) in the 53 weeks to June 29 on sales 11.3 per cent higher at A\$15.6bn but warned that sales growth in the current first half would be slower. Reg Clairs, managing director, said: "If we achieve 8.5 per cent to 9 per cent in the first half, we'd be satisfied. I think it's going to be difficult." He blamed weak consumer confidence and low inflation for the slowdown.

He said margins last year were slightly higher but "I wouldn't like to predict margins would increase again. I would like to think we could at least hold them stable."

The company expects to add more than 34 outlets this year, after 67 were opened last year bringing the total to 1,089. It said the "millennium bomb", with computer systems having to be upgraded before 2000, would cost about A\$30m and this would be taken as an abnormal cost in next year's accounts. *Elizabeth Robinson, Sydney*

China Rebar sees a bigger picture

Taiwan group wants to build on its success in cable TV to break into telecoms

China Rebar, one of Taiwan's biggest business groups, is positioning itself to become the dominant force in the country's liberalising and fast-growing telecommunications industry.

Headed by Wang You-theng, a senior figure in the ruling Nationalist party, Rebar is expanding aggressively in cable television, battling with Hsinan, another leading Taiwanese business group run by the influential Koo family, for control of the island's cable TV business. Rebar's aim is to set up an island-wide network, providing a broad range of telecommunications services.

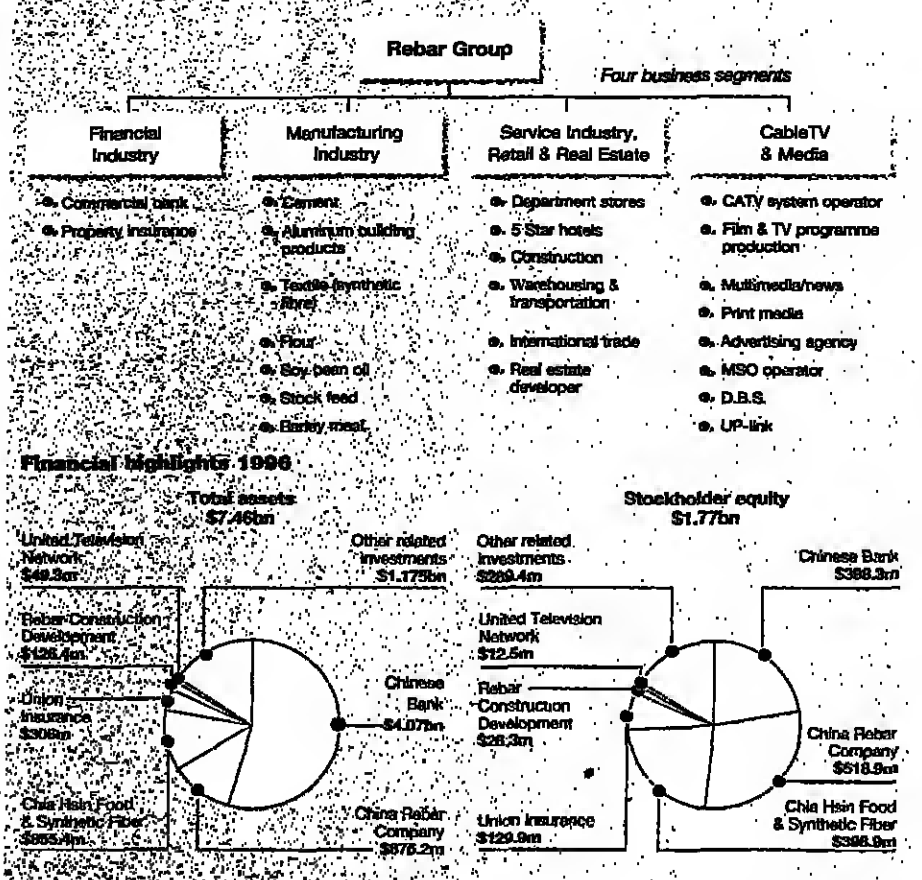
Rebar is also looking to foreign telecoms groups to help it in its quest. It is in preliminary discussions with British Telecom to co-operate to bid for licences to provide services in Taiwan as the market opens up.

Opportunities for foreign companies are growing. In January 1996, the national legislature scrapped the monopoly of Chunghwa Telecom, the state provider, and lifted a ban on foreign investment in the telecoms sector. Recently, the economics ministry announced plans to raise the ceiling on foreign investment in domestic cable companies from 33 per cent to 49 per cent.

Chen Mian-chuan, vice president and head of Rebar's telecommunications business, says: "If you want to invest in Asia, come to Taiwan - it's a great market." He predicts turnover in the telecommunications sector will double or even triple in five years.

Private sector companies will begin providing cellular

Expanding empire



and other wireless communication services later this year. In 2000, the government will open the market to private sector providers of satellite, domestic and international telecommunication services.

There is pent-up demand for improved telecoms services, built up over the years by the inability of Chunghwa Telecom to meet demand. Taiwan's affluent consumers are willing to pay for better service and advanced technology.

Cable television installation in Taiwan is already among the highest in the world.

Since cable TV was legalised in 1993, the proportion of Taiwan households with cable soared from 25 per cent to 75 per cent, according to the Government Information Office, a cabinet agency that regulates the media. In contrast, fewer than 10 per cent of Japanese households are cable TV subscribers.

Also, the number of system operators has plunged from about 600 to fewer than 100 as larger companies buy up smaller ones. Rebar has been the most aggressive in striking alliances with local cable distributors around the island in order to expand its reach.

Mr Chen claims Rebar is already the largest multi-system operator in Taiwan and its network will reach 45 per cent of households by the end of this year. Leveraging its strong customer base in

Comalco starts to reap benefits of cost-cutting

By Elizabeth Robinson

Comalco, which is 70 per cent owned by Rio Tinto, signalled a turnaround into profits for the full year after net earnings in the first half rose 50.6 per cent to A\$69.8m (US\$52m). Its shares rose 4 per cent on the news to close at A\$6.93.

The company said conditions for the aluminium industry had improved this year, with firmer prices and steady demand. Terry Palmer, chief executive, added that the company was on target to meet the A\$100m of cost-savings promised last year.

"We took the hard decisions last year and now we are reaping the first benefits," he said. "Our restructuring measures are starting to deliver lower costs."

Last year Comalco reported a full-year net loss of A\$17m.

Mr Palmer said increased productivity and the continued lowering of costs would lead to better profits for the full year.

"I would be pretty disappointed if our second half wasn't better than our first," he said, although that would depend on stable metals prices and foreign exchange. Sales for the first half rose 10.7 per cent to A\$493.8m.

Mr Palmer said the minerals, alumina and smelting businesses "lifted" profits, because of lower costs and higher production. Higher alumina sales reflected a rise in deliveries to the Boyne Island smelter, which is 59 per cent owned by Comalco.

He said the expansion of the smelter was now 98 per cent complete and predicted it would be running at full capacity later in the year - six months ahead of schedule and on budget at a cost of just over A\$1bn.

Comalco's share of aluminium production from its three smelters - Boyne Island, Tiwai Point in New Zealand, and Bell Bay in Tasmania - rose 18 per cent to 355,000 tonnes.

"We expect the cost of producing value-added products to decline further as our new facilities at the Boyne Island and Tiwai Point smelters are fully bedded down," said Mr Palmer.

The upgrades and expansions are expected to be complete by the fourth quarter. Mr Palmer said the outlook was for aluminium prices to remain firm, with demand continuing to exceed production increases.

He said that the only concern was the instability of the currencies in south-east Asia, although he added that this would be offset by improved demand in Europe and strong performances in the US and Japan.

Hicks Muse in radio buy

By Richard Tomkins
in New York

Hicks, Muse, Tate & Furst, the Texas buy-out company, yesterday announced its second big deal in two weeks by confirming it had agreed to buy SFX Broadcasting, a US radio broadcasting company, for \$1.2bn in cash.

It plans to merge the company with Capstar Broadcasting, a company it set up a year ago to buy radio stations in medium-sized markets across the US.

Capstar has already bought or agreed to buy 243 radio stations, making it the biggest US radio broadcaster in terms of the number of stations owned. Yesterday's deal will make it the third-biggest in terms of revenues.

Since its formation in 1989, Hicks Muse has invested heavily in radio and television broadcasting. In addition to Capstar, it has a majority stake in Chancellor Broadcasting, a company that acquires radio stations in larger US markets.

Chancellor Broadcasting is about to merge with an independent company called Evergreen Media in a move that will reduce Hicks Muse's stake in the merged company, Chancellor Media, to 13 per cent. But Tom Hicks, chairman and chief executive of Hicks Muse, will be Chancellor Media's chairman.

Hicks Muse is paying \$75 a share for SFX's Nasdaq-quoted shares, which climbed 36%, or 9 per cent, to

\$74 in early trading yesterday.

In the past few weeks, SFX's shares have surged on the expectation that a bid for the company was likely.

Hicks Muse has also agreed to assume the company's debt of about \$900m. When the two figures are combined, the total value of the deal is about \$2.1bn. The acquisition comes shortly after Hicks Muse announced a big expansion of its US television interests by agreeing to buy Lin Television, an operator of eight network-affiliated television stations, for \$1.45bn in cash.

It brings the total value of Hicks Muse's deals to more than \$24bn over the past eight years.



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Group key indicators

	1997 Interim Report	Percentage Change
ATIS mpt	10,295	+4%
Sales	75,295	+4%
Operating Profit	501	+15%
Net Income	501	+21%
Cash earnings	698	+9%
Total assets	1,152	+1%
Fixed assets	46,614	+5%
Shareholders equity	1,152	+2%

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Expansion into markets with growth and attractive margins and stringent cost management resulted in an increase in operating profit to ATIS 501 million, 15% more than the previous first half. Net income rose by 21% to ATIS 298 million. Cash earnings increased 9% to ATIS 698 million. Return on capital employed rose for the third consecutive half year to 15.6%.

Analyst's opinion

(SBC Warburg May 25, 1997)

"Both the figures and the strategy being put into place by management confirm our view that MMK remains one of the best values in the European paper and packaging sector."



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COMPANIES AND FINANCE: UK

GE to set up Europe-wide logistics venture

By Charis Gresser

One of the largest industrial companies in the world, General Electric of the US, is throwing its might behind a new joint venture which it claims will revolutionise European logistics.

The new UK-based entity, Penske Logistics Europe, is 75 per cent owned by GE Capital, a GE division. The balance is held by the \$5bn Penske Corporation, a private US company with inter-

ests spanning leasing and heavy car racing.

The venture wants to build up \$500m of turnover by the end of 1998.

Logistics companies distribute and warehouse goods for manufacturers and retailers. Old-style hauliers have had to develop sophisticated IT systems that can track the physical whereabouts of the goods, invoice the manufacturers, and replenish stocks as they are sold.

Brian Bolam, who formerly ran TNT Logistics Europe and now heads Penske Logistics Europe, said: "We were getting the clear message that multinationals want a single service provider in logistics for the whole of Europe." The venture could deliver between 25 per cent and 50 per cent of savings on these companies' logistics costs, he said.

Part of the growth is expected to come from acquisitions of "six or more" small to medium-sized busi-

nesses. Large quoted UK companies are not on the list.

"We don't have time to fix broken companies and we won't be buying any lame ducks. We want to be market leaders in five years," said Mr Bolam.

The company is targeting the UK, Germany, France Italy and the Benelux, and six main market segments: automotive, fast moving consumer goods, food, pharmaceutical/healthcare,

and speciality chemicals. Continental Europe has been something of a black spot for a number of UK logistics companies, such as NFC and Christian Salvesen, although Hays, for instance, has established successful operations in France and Germany.

Penske also plans to steer clear of pure "physical logistics" by getting involved in other parts of the production process, such as taking over the ownership of its custom-

ers' inventory, sub-assembling components and scheduling in-bound material.

Penske also claims it can improve customers' working capital by advising them on when to configure products for customers: the later this happens the more value is added on right at the end of the supply chain.

A Penske "fulfilment centre" will also offer services such as debt collection, tax representation, and product

testing for multinationalals headquartered outside Europe.

Asked if companies might not be reluctant to hand over such power to third parties, Mr Bolam said: "People view GE and Penske as very well managed companies. We will achieve better and more sustained margins [than our rivals]. We will not set up commodity businesses. We are not interested in straight storage or transport."

Waterstone's is currently part of the WH Smith group, but there have been reports that disgruntled shareholders have asked management to consider breaking up the company.

WH Smith has said it is not under pressure to make disposals.

Richard Joseph, chief executive of Books Etc, said yesterday: "We would look at Waterstone's and would consider making a bid for it, if it should come up." He added that one reason for coming to market was to "take advantage of acquisition opportunities".

The company, currently owned by the Joseph family and Hambro Group Investments, is seeking a market listing this autumn which would value it at between \$30m (\$49m) and \$40m. It made \$2.2m pre-tax profits in the year to January 1997 on turnover of \$31.2m.

The family's stake will fall from its 70 per cent level to below 50 per cent, but it is not known how many shares the vendors will be selling. The company hopes to raise between \$5m and \$7m of new money net of expenses.

With no gearing, it is planned to spend the proceeds on opening some 14 stores in the UK by January 2001. Books Etc has 20 outlets, some of which have introduced coffee shops and "browsing areas". The company has looked at retailing music, but had no plans to enter the market.

Mr Joseph said: "We plan to stick to our knitting. It's important for people to see us as a book store with a few hooks floating around."

Charterhouse Tilney Securities has been appointed sponsor and stockbroker to the flotation.

JCB to move aggressively into fresh area

By Peter Marsh

JCB Group, the construction equipment maker, will today announce it is entering the industrial lift truck business, in one of the boldest moves in recent years by a British manufacturer starting in an area of tough international competition.

Sir Anthony Bamford, JCB's chairman, promised a "full frontal assault" on the world's \$6bn-a-year lift truck industry - currently dominated by German, US and Japanese companies and in which there is no big UK participant.

The company has gone back to first principles in designing its Teletrek, which hoists loads using a telescopic arm, rather than the normal platform that slides up and down a mast.

A decade ago the UK had several important lift truck makers - including Linsang Bagnall and Lancer Boss - but they have all ceased trading or been sold to competitors.

Sir Anthony - whose family owns JCB - said the company would speed "whatever is necessary" to build a leading position in the industry.

It is believed JCB is aiming for 10 per cent of the European market for lift trucks - handling systems

used in manufacturing, distribution and retailing - over the next few years.

Attaining this target would mean JCB selling about \$200m (\$325m) of lift trucks a year, putting it among the top five makers of the vehicles in Europe.

One industrial observer said JCB - one of Britain's biggest privately owned manufacturers, best known for its backhoe loaders - would need a "mountain of money" to take on competitors including Linde and Jungheinrich of Germany.

Nacco of the US and Toyota of Japan.

It is thought JCB might have to spend \$30m building up a significant market share. However, Sir Anthony - whose father, Joe, started JCB in a garage in 1945 - believes that as a private company JCB is in a better position to plan long-term than most other UK manufacturers which have to respond to short-term shareholder pressures.

JCB has sales of \$750m a year, virtually all made in UK factories, and 3,300 employees. It is Europe's biggest maker of construction machines by volume. Nearly three-quarters of production is exported. So far it has spent an estimated \$5m on the Teletrek.

Reshaping the lift truck industry

Peter Marsh reveals the secret history behind an innovation aiming to scoop the competition

In recent months a sharp-eyed observer stationed outside a factory in Cheadle, Staffordshire, would have spotted a series of mysteriously shaped items of machinery being transported under tarpaulins on unmarked trailers.

They were prototypes of a radically new type of lift truck destined for secret trials at factories, warehouses and distribution yards in the English Midlands.

Developing the systems in a \$5m (\$8.15m) project has been JCB, the private UK company best known for its construction machines. JCB believes the vehicles can propel it to annual sales of more than £1bn by early next century.

Complete secrecy has been needed to keep details away from the main contenders in the highly competitive lift-truck business.

JCB - owned by the family of Sir Anthony Bamford, the company's chairman and managing director - is believed to be aiming to take 10 per cent of Europe's \$2bn-a-year lift truck business over the next few years.

The main suppliers, accounting between them for an estimated 60 per cent of the business, are Linde of Germany, the US's Nacco and Toyota of Japan.

JCB is basing its efforts on a design worked on during

the past 20 months in a sectioned-off part of its factory in Cheadle. This is the home of the company's "special products" division responsible for about a 10th of JCB's \$750m-a-year sales.

The 30-strong development group, comprising sales and marketing people as well as engineers, abandoned the central principle of lift trucks. This is based around a high mast mounted in front of the driver, which lifts goods up and down using a hydraulically powered chain belt.

Instead, the group opted for a telescopic boom pivoted at the rear of the vehicle, which moves up and down next to the driver. The boom can raise items weighing up to 2.5 tonnes to a height of 4m and can also slide out to up to 2.3m in front of the vehicle making it more useful than a conventional lift truck.

JCB says the system will sell for about \$20,000 - a similar price range to most mast-based lift trucks. The group also claims it will offer higher productivity and be much safer. The absence of the mast should mean the driver has a clearer view of what is ahead. "We have broken the mould in lift trucks," said Sir Anthony.

The company has used manufacturing and engineering concepts pioneered in



Sir Anthony Bamford and the Teletrek, with which he hopes to attack the European market

other JCB machines. In particular, the design group drew on the ideas for telescopic booms already used in JCB's "telescopic loaders" sold to the farming industry.

But it squeezed the resulting machine into 60 per cent of the volume. This ensured that the Teletrek, for all its new principles, is small and manoeuvrable enough to operate in a confined factory area or warehouse, like a conventional lift truck.

The company was also keen to listen to users. The 10 companies which JCB signed up for the secret trials were interviewed by an

independent market research group to discover potential flaws. According to Ken Bainbridge, general manager of JCB's industrial division, the feedback was positive. "Lift trucks are a pretty conservative industry, but this design has left people excited," he said.

While Sir Anthony does not underestimate the difficulties of breaking into a new market, the company hopes it can repeat its success of 10 years ago when it moved for the first time into farm tractors with a design for a "Fastrac" tractor that could travel much faster

than normal tractors at up to 80 kmh. Sales have grown steadily to about \$80m a year, a figure the company wants to double by 2000.

The company also spent millions of pounds ramping up its marketing in the US, which provided a profit only after 13 years, but which now accounts for a quarter of sales.

"Building up in this industry may take longer than we hope," said Sir Anthony. "But we're an ambitious company, and for anyone looking at lift trucks, we reckon we've got a bloody interesting product."

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US COMMODITIES PRICES

BASE METALS

HIGH GRADE COPPER (COMEX)				
Sett	Day's	High	Low	Open
price	change			
Aug 95.45	-0.55	100.40	99.40	100.40
Sep 95.60	-0.35	100.60	99.20	100.60
Oct 95.70	-0.25	100.80	99.00	100.80
Nov 95.80	-0.15	101.00	99.20	101.00
Dec 95.90	-0.05	101.20	99.40	101.20
Jan 96.00	-0.05	101.40	99.60	101.40
Feb 96.10	-0.05	101.60	99.80	101.60
Mar 96.20	-0.05	101.80	100.00	101.80
Apr 96.30	-0.05	102.00	100.20	102.00
May 96.40	-0.05	102.20	100.40	102.20
Jun 96.50	-0.05	102.40	100.60	102.40
Jul 96.60	-0.05	102.60	100.80	102.60
Aug 96.70	-0.05	102.80	101.00	102.80
Sep 96.80	-0.05	103.00	101.20	103.00
Oct 96.90	-0.05	103.20	101.40	103.20
Nov 97.00	-0.05	103.40	101.60	103.40
Dec 97.10	-0.05	103.60	101.80	103.60
Jan 97.20	-0.05	103.80	102.00	103.80
Feb 97.30	-0.05	104.00	102.20	104.00
Mar 97.40	-0.05	104.20	102.40	104.20
Apr 97.50	-0.05	104.40	102.60	104.40
May 97.60	-0.05	104.60	102.80	104.60
Jun 97.70	-0.05	104.80	103.00	104.80
Jul 97.80	-0.05	105.00	103.20	105.00
Aug 97.90	-0.05	105.20	103.40	105.20
Sep 98.00	-0.05	105.40	103.60	105.40
Oct 98.10	-0.05	105.60	103.80	105.60
Nov 98.20	-0.05	105.80	104.00	105.80
Dec 98.30	-0.05	106.00	104.20	106.00
Jan 98.40	-0.05	106.20	104.40	106.20
Feb 98.50	-0.05	106.40	104.60	106.40
Mar 98.60	-0.05	106.60	104.80	106.60
Apr 98.70	-0.05	106.80	105.00	106.80
May 98.80	-0.05	107.00	105.20	107.00
Jun 98.90	-0.05	107.20	105.40	107.20
Jul 99.00	-0.05	107.40	105.60	107.40
Aug 99.10	-0.05	107.60	105.80	107.60
Sep 99.20	-0.05	107.80	106.00	107.80
Oct 99.30	-0.05	108.00	106.20	108.00
Nov 99.40	-0.05	108.20	106.40	108.20
Dec 99.50	-0.05	108.40	106.60	108.40
Jan 99.60	-0.05	108.60	106.80	108.60
Feb 99.70	-0.05	108.80	107.00	108.80
Mar 99.80	-0.05	109.00	107.20	109.00
Apr 99.90	-0.05	109.20	107.40	109.20
May 100.00	-0.05	109.40	107.60	109.40
Jun 100.10	-0.05	109.60	107.80	109.60
Jul 100.20	-0.05	109.80	108.00	109.80
Aug 100.30	-0.05	110.00	108.20	110.00
Sep 100.40	-0.05	110.20	108.40	110.20
Oct 100.50	-0.05	110.40	108.60	110.40
Nov 100.60	-0.05	110.60	108.80	110.60
Dec 100.70	-0.05	110.80	109.00	110.80
Jan 100.80	-0.05	111.00	109.20	111.00
Feb 100.90	-0.05	111.20	109.40	111.20
Mar 101.00	-0.05	111.40	109.60	111.40
Apr 101.10	-0.05	111.60	109.80	111.60
May 101.20	-0.05	111.80	110.00	111.80
Jun 101.30	-0.05	112.00	110.20	112.00
Jul 101.40	-0.05	112.20	110.40	112.20
Aug 101.50	-0.05	112.40	110.60	112.40
Sep 101.60	-0.05	112.60	110.80	112.60
Oct 101.70	-0.05	112.80	111.00	112.80
Nov 101.80	-0.05	113.00	111.20	113.00
Dec 101.90	-0.05	113.20	111.40	113.20
Jan 102.00	-0.05	113.40	111.60	113.40
Feb 102.10	-0.05	113.60	111.80	113.60
Mar 102.20	-0.05	113.80	112.00	113.80
Apr 102.30	-0.05	114.00	112.20	114.00
May 102.40	-0.05	114.20	112.40	114.20
Jun 102.50	-0.05	114.40	112.60	114.40
Jul 102.60	-0.05	114.60	112.80	114.60
Aug 102.70	-0.05	114.80	113.00	114.80
Sep 102.80	-0.05	115.00	113.20	115.00
Oct 102.90	-0.05	115.20	113.40	115.20
Nov 103.00	-0.05	115.40	113.60	115.40
Dec 103.10	-0.05	115.60	113.80	115.60
Jan 103.20	-0.05	115.80	114.00	115.80
Feb 103.30	-0.05	116.00	114.20	116.00
Mar 103.40	-0.05	116.20	114.40	116.20
Apr 103.50	-0.05	116.40	114.60	116.40
May 103.60	-0.05	116.60	114.80	116.60
Jun 103.70	-0.05	116.80	115.00	116.80
Jul 103.80	-0.05	117.00	115.20	117.00
Aug 103.90	-0.05	117.20	115.40	117.20
Sep 104.00	-0.05	117.40	115.60	117.40
Oct 104.10	-0.05	117.60	115.80	117.60
Nov 104.20	-0.05	117.80	116.00	117.80
Dec 104.30	-0.05	118.00	116.20	118.00
Jan 104.40	-0.05	118.20	116.40	118.20
Feb 104.50	-0.05	118.40	116.60	118.40
Mar 104.60	-0.05	118.60	116.80	118.60
Apr 104.70	-0.05	118.80	117.00	118.80
May 104.80	-0.05	119.00	117.20	119.00
Jun 104.90	-0.05	119.20	117.40	119.20
Jul 105.00	-0.05	119.40	117.60	119.40
Aug 105.10	-0.05	119.60	117.80	119.60
Sep 105.20	-0.05	119.80	118.00	119.80
Oct 105.30	-0.05	120.00	118.20	120.00
Nov 105.40	-0.05	120.20	118.40	120.20
Dec 105.50	-0.05	120.40	118.60	120.40
Jan 105.60	-0.05	120.60	118.80	120.60
Feb 105.70	-0.05	120.80	119.00	120.80
Mar 105.80	-0.05	121.00	119.20	121.00
Apr 105.90	-0.05	121.20	119.40	121.20
May 106.00	-0.05	121.40	119.60	121.40
Jun 106.10	-0.05	121.60	119.80	121.60
Jul 106.20	-0.05	121.80	120.00	121.80
Aug 106.30	-0.05	122.00	120.20	122.00
Sep 106.40	-0.05	122.20	120.40	122.20
Oct 106.50	-0.05	122.40	120.60	122.40
Nov 106.60	-0.05	122.60	120.80	122.60
Dec 106.70	-0.05	122.80	121.00	122.80
Jan 106.80	-0.05	123.00	121.20	123.00
Feb 106.90	-0.05	123.20	121.40	123.20
Mar 107.00	-0.05	123.40	121.60	123.40
Apr 107.10	-0.05	123.60	121.80	123.60
May 107.20	-0.05	123.80	122.00	123.80
Jun 107.30	-0.05	124.00	122.20	124.00
Jul 107.40	-0.05	124.20	122.40	124.20
Aug 107.50	-0.05	124.40	122.60	124.40
Sep 107.60	-0.05	124.60	122.80	124.60
Oct 107.70	-0.05	124.80	123.00	124.80
Nov 107.80	-0.05	125.00	123.20	125.00
Dec 107.90	-0.05	125.20	123.40	125.20
Jan 108.00	-0.05	125.40	123.60	125.40
Feb 108.10	-0.05	125.60	123.80	125.60
Mar 108.20	-0.05	125.80	124.00	125.80
Apr 108.30	-0.05	126.00	124.20	126.00
May 108.40	-0.05	126.20	124.40	126.20
Jun 108.50	-0.05	126.40	124.60	126.40
Jul 108.60	-0.05	126.60	124.80	126.60
Aug 108.70	-0.05	126.80	125.00	126.80
Sep 108.80	-0.05	127.00	125.20	127.00
Oct 108.90	-0.05	127.20	125.40	127.20
Nov 109.00	-0.05	127.40	125.60	127.40
Dec 109.10	-0.05	127.60	125.80	127.60
Jan 109.20	-0.05	127.80	126.00	127.80
Feb 109.30	-0.05	128.00	126.20	128.00
Mar 109.40	-0.05	128.20	126.40	128.20
Apr 109.50	-0.05	128.40	126.60	128.40
May 109.60	-0.05	128.60	126.80	128.60
Jun 109.70	-0.05	128.80	127.00	128.80
Jul 109.80	-0.05	129.00	127.20	129.00
Aug 109.90	-0.05	129.20	127.40	129.20
Sep 110.00	-0.05	129.40	127.60	129.40
Oct 110.10	-0.05	129.60	127.80	129.60
Nov 110.20	-0.05	129.80	128.00	129.80
Dec 110.30	-0.05	130.00	128.20	130.00
Jan 110.40	-0.05	130.20	128.40	130.20
Feb 110.50	-0.05	130.40	128.60	130.40
Mar 110.60	-0.05	130.60	128.80	130.60
Apr 110.70	-0.05	130.80	129.00	130.80
May 110.80	-0.05	131.00	129.20	131.00
Jun 110.90	-0.05	131.20	129.40	131.20
Jul 111.00	-0.05	131.40	129.60	131.40
Aug 111.10	-0.05	131.60	129.80	131.60
Sep 111.20	-0.05	131.80	130.00	131.80
Oct 111.30	-0.05	132.00	130.20	132.00
Nov 111.40	-0.05	132.20	130.40	132.20
Dec 111.50	-0.05	132.40	130.60	132.40
Jan 111.60	-0.05	132.60	130.80	132.60
Feb 111.70	-0.05	132.80	131.00	132.80
Mar 111.80	-0.05	133.00	131.20	133.00
Apr 111.90	-0.05	133.20	131.40	133.20
May 112.00	-0.05	133.40	131.60	133.40
Jun 112.10	-0.05	133.60	131.80	133.60
Jul 112.20	-0.05	133.80	132.00	133.80
Aug 112.30	-0.05	134.00	132.20	134.00
Sep 112.40	-0.05	134.20	132.40	134.20
Oct 112.50	-0.05	134.40	132.60	134.40
Nov 112.60	-0.05	134.60	132.80	134.60
Dec 112.70	-0.05	134.80	133.00	134.80
Jan 112.80	-0.05	135.00	133.20	135.00
Feb 112.90	-0.05	135.20	133.40	135.20
Mar 113.00	-0.05	135.40	133.60	135.40
Apr 113.10	-0.05	135.60	133.80	135.60
May 113.20	-0.05	135.80	134.00	135.80
Jun 113.30	-0.05	136.00	134.20	136.00
Jul 113.40	-0.05	136.20	134.40	136.20
Aug 113.50	-0.05	136.40	134.60	136.40
Sep 113.60	-0.05	136.60	134.80	136.60
Oct 113.70	-0.05	136.80	135.00	136.80
Nov 113.80	-0.05	137.00	135.20	137.00
Dec 113.90	-0.05	137.20	135.40	137.20
Jan 114.00	-0.05	137.40	135.60	137.40
Feb 114.10	-0.05	137.60	135.80	137.60
Mar 114.20	-0.05	137.80	136.00	137.80
Apr 114.30	-0.05	138.00	136.20	138.00
May 114.40	-0.05	138.20	136.40	138.20
Jun 114.50	-0.05	138.40	136.60	138.40
Jul 114.60	-0.05	138.60	136.80	138.60
Aug 114.70	-0.05	138.80	137.00	138.80
Sep 114.80	-0.05	139.00	137.20	139.00
Oct 114.90	-0.05	139.20	137.40	139.20
Nov 115.00	-0.05	139.40	137.60	139.40
Dec 115.10	-0.05	139.60	137.80	139.60
Jan 115.20	-0.05	139.80	138.00	139.80
Feb 115.30	-0.05	140.00	138.20	140.00

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 25	Closing	Change	Settlement	Days' bid	Days' ask	One month	Three months	One year	Bank of
	mid-point	on day	spread	high	low	Rate	Rate	Rate	England
Europe									
Austria (Sch)	20.5490	+0.0001	365 - 559	20.5000	20.4704	20.4915	3.2	20.3789	3.3
Belgium (Bfr)	20.2910	+0.0002	400 - 618	20.4470	20.2710	20.081	3.6	20.711	3.7
Denmark (DKK)	11.1240	-0.0007	205 - 273	11.1383	11.1228	11.0925	3.4	11.0295	3.4
Finland (Fmk)	6.7260	+0.0015	218 - 374	6.7360	6.7160	6.708	3.5	6.6511	3.5
France (FFr)	9.8593	-0.0011	319 - 387	9.8688	9.8500	9.8523	4.0	9.7433	3.7
Germany (DM)	2.5197	+0.0002	164 - 209	2.5204	2.5193	2.5194	3.3	2.5194	3.3
Greece (Dr)	458.910	+0.0001	787 - 070	458.910	458.910	458.910	-4.7	458.910	-4.7
Italy (Lit)	204.584	+0.0001	933 - 955	204.584	204.584	204.584	0.0	204.584	0.0
Japan (Yen)	162.810	+0.0002	400 - 618	162.810	162.810	162.810	3.5	162.810	3.5
Netherlands (Gld)	3.5274	+0.0004	885 - 940	3.5284	3.5264	3.5272	3.7	3.5283	3.7
Norway (Nkr)	12.7161	-0.0005	722 - 840	12.7237	12.7125	12.7156	3.2	12.6948	3.2
Portugal (Esc)	205.487	-0.0002	741 - 893	205.487	205.487	205.487	0.0	205.487	0.0
Spain (Ptas)	166.663	-0.0008	745 - 826	166.663	166.663	166.663	1.5	166.663	1.5
Sweden (Skr)	12.7161	-0.0005	722 - 840	12.7237	12.7125	12.7156	3.2	12.6948	3.2
Switzerland (Sfr)	2.0257	-0.0001	448 - 466	2.0257	2.0257	2.0257	5.5	2.0257	5.5
UK									
£	1.0000	+0.0002	840 - 859	1.0000	1.0000	1.0000	2.7	1.0000	2.7
SDR	1.75923								

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 25	Closing	Change	Settlement	Days' bid	Days' ask	One month	Three months	One year	JP Morgan
	mid-point	on day	spread	high	low	Rate	Rate	Rate	Index
Europe									
Austria (Sch)	12.8088	+0.0017	046 - 126	12.8470	12.7836	12.7848	2.2	12.7358	2.3
Belgium (Bfr)	37.5580	+0.0027	610 - 750	37.6000	37.5160	37.493	2.4	37.3415	2.4
Denmark (DKK)	6.9948	+0.0005	339 - 359	6.9956	6.9940	6.9952	2.1	6.9899	2.1
Finland (Fmk)	5.4419	+0.0004	361 - 456	5.4428	5.4410	5.4420	2.5	5.4355	2.5
France (FFr)	9.1318	+0.0008	304 - 327	9.1327	9.1309	9.1315	2.3	9.0992	2.3
Germany (DM)	1.6202	+0.0002	197 - 207	1.6204	1.6194	1.6194	2.5	1.6096	2.5
Greece (Dr)	288.100	+0.0001	050 - 150	288.100	288.100	288.100	-4.7	288.100	-4.7
Italy (Lit)	1.4958	+0.0002	645 - 670	1.4958	1.4958	1.4958	0.6	1.4945	0.6
Japan (Yen)	117.445	+0.0001	419 - 505	117.445	117.445	117.445	-1.2	117.445	-1.2
Netherlands (Gld)	37.5580	+0.0027	610 - 750	37.6000	37.5160	37.493	2.4	37.3415	2.4
Norway (Nkr)	12.7161	-0.0005	722 - 840	12.7237	12.7125	12.7156	3.2	12.6948	3.2
Portugal (Esc)	205.487	-0.0002	741 - 893	205.487	205.487	205.487	0.0	205.487	0.0
Spain (Ptas)	166.663	-0.0008	745 - 826	166.663	166.663	166.663	1.5	166.663	1.5
Sweden (Skr)	12.7161	-0.0005	722 - 840	12.7237	12.7125	12.7156	3.2	12.6948	3.2
Switzerland (Sfr)	2.0257	-0.0001	448 - 466	2.0257	2.0257	2.0257	5.5	2.0257	5.5
UK									
£	1.0000	+0.0002	840 - 859	1.0000	1.0000	1.0000	2.7	1.0000	2.7
SDR	1.75923								

WORLD INTEREST RATES

Aug 22	Over	One	Three	Six	One	Long	De	Repo
	night	month	month	month	year	term	rate	rate
Belgium	3%	3%	3%	3%	3%	6.00	2.50	-
France	3%	3%	3%	3%	3%	6.00	2.50	-
Germany	3%	3%	3%	3%	3%	6.00	2.50	-
Italy	3%	3%	3%	3%	3%	6.00	2.50	-
Japan	3%	3%	3%	3%	3%	6.00	2.50	-
Netherlands	3%	3%	3%	3%	3%	6.00	2.50	-
Norway	3%	3%	3%	3%	3%	6.00	2.50	-
Portugal	3%	3%	3%	3%	3%	6.00	2.50	-
Spain	3%	3%	3%	3%	3%	6.00	2.50	-
Sweden	3%	3%	3%	3%	3%	6.00	2.50	-
Switzerland	3%	3%	3%	3%	3%	6.00	2.50	-
UK	3%	3%	3%	3%	3%	6.00	2.50	-
USA	3%	3%	3%	3%	3%	6.00	2.50	-

CROSS RATES AND DERIVATIVES

Aug 25	EUR	GBP	JPY	CHF	HKD	SGD	THB	USD	YEN
Belgium (Bfr)	100	18.46	16.32	4.845	1.816	47.24	5.856	20.21	408.7
Denmark (DKK)	54.17	10	8.842	2.286	0.984	25.85	10.35	288.0	221.9
France (FFr)	6.5595	12.36	11.31	2.989	1.119	28.94	3.343	300.8	251.0
Germany (DM)	20.48	3.610	3.389	1	0.375	97.50	1.128	4.71	101.3
Italy (Lit)	55.07	10.17	9.898	2.988	1	28.01	3.004	11.3	270.4
Netherlands (Gld)	12.7161	0.931	0.945	0.103	0.038	0.10	0.115	0.10	0.10
Norway (Nkr)	12.7161	0.931	0.945	0.103	0.038	0.10	0.115	0.10	0.10
Portugal (Esc)	205.487	0.931	0.945	0.103	0.038	0.10	0.115	0.10	0.10
Spain (Ptas)	166.663	0.931	0.945	0.103	0.038	0.10	0.115	0.10	0.10
Sweden (Skr)	12.7161	0.931	0.945	0.103	0.038	0.10	0.115	0.10	0.10
Switzerland (Sfr)	2.0257	0.931	0.945	0.103	0.038	0.10	0.115	0.10	0.10
UK	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
USA	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Yen	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

UK INTEREST RATES

Aug 22	Over	One	Three	Six	One
	night	month	month	month	year
Bank of England	7%	7%	7%	7%	7%
Interbank	7%	7%	7%	7%	7%
Treasury	7%	7%	7%	7%	7%
Local authority	7%	7%	7%	7%	7%
Discount	7%	7%	7%	7%	7%

D-MARK FUTURES (MM) DM 125,000 per DM

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0500	1.0500	0.0000	1.0500	1.0500	68,750	59,632
Dec	1.0547	1.0547	0.0000	1.0547	1.0547	1,494	5,198
Mar	1.0598	1.0598	0.0000	1.0598	1.0598	196	1,531

PHILADELPHIA SE 2/5 OPTIONS (C125,000 contracts per DM)

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0500	1.0500	0.0000	1.0500	1.0500	68,750	59,632
Dec	1.0547	1.0547	0.0000	1.0547	1.0547	1,494	5,198
Mar	1.0598	1.0598	0.0000	1.0598	1.0598	196	1,531

SWISS FRANC FUTURES (MM) Sfr 125,000 per Sfr

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	0.6878	0.6878	0.0000	0.6878	0.6878	26,272	51,420
Dec	0.6750	0.6750	0.0000	0.6750	0.6750	342	2,620
Mar	0.6630	0.6630	0.0000	0.6630	0.6630	12	1,258

PHILADELPHIA SE D-MARK/5 OPTIONS (DM2,500 \$ per DM)

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	0.8483	0.8483	0.0000	0.8483	0.8483	38,808	80,815
Dec	0.8500	0.8500	0.0000	0.8500	0.8500	982	2,714
Mar	0.8598	0.8598	0.0000	0.8598	0.8598	1	538

STERLING FUTURES (MM) £250,000 per £

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

PHILADELPHIA SE D-MARK/5 OPTIONS (DM2,500 \$ per DM)

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	0.8483	0.8483	0.0000	0.8483	0.8483	38,808	80,815
Dec	0.8500	0.8500	0.0000	0.8500	0.8500	982	2,714
Mar	0.8598	0.8598	0.0000	0.8598	0.8598	1	538

US INTEREST RATES

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

EURS EUROPEAN CURRENCY UNIT RATES

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

BOND FUTURES AND OPTIONS

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

THREE MONTH PISOR FUTURES (MATIF) Paris Interbank offered rate

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

NOTIONAL SPANISH BOND FUTURES (MEFF)

Aug 25	Open	Settle	Change	High	Low	Est. vol.	Open int.
Sep	1.0000	1.0000	0.0000	1.0000	1.0000	12,115	48,391
Dec	1.0000	1.0000	0.0000	1.0000	1.0000	361	1,323
Mar	1.0000	1.0000	0.0000	1.0000	1.0000	8	208

LONG TERM FRENCH BOND OPTIONS (MATIF)

FT MANAGED FUNDS SERVICE

• ET Civilian Unit Trust Prices are available over the telephone. Call the ET Civilian Help Desk on 1-44 1711 873 4378 for more details.

[illegible]

Offshore Insurances and Other Funds

Offshore Insurances and Other Funds

Company	Assets	Liabilities	Net Assets	Company	Assets	Liabilities	Net Assets
ORIENT Growth Fd	\$14.81	0.12		Shenandoah Investment Mgmt (Sermaco) Ltd	\$11.80		
Oriental Development Company Ltd	\$14.81			Shenandoah Inv Mgmt Aug 15	\$11.80		
Oriental Capital Advisors Ltd	\$14.81			Sinclair Fd	\$14.81		
Orin Investment Co Ltd	\$14.81			Sinclair Redeem Investment Mgmt Ltd	\$14.81		
Oryx Fund Ltd	\$14.81			S.S. Global Fd Inc.	\$14.81		
Oryx (Asia) Fund Ltd	\$14.81			S.S. Global Fd Inc.	\$14.81		
Oryx International Growth Fund Ltd	\$14.81			S.S. Global Fd Inc.	\$14.81		
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EUROPE
AMERICA (Apr 25/75 Sch)

<http://www.rockwell.com>

AUSTRALIA (Aug 25 / AustS)

INDEX FUTURES											
		S&P 500									
Open/Set	Price	Change	High	Low	Est. vol.	Open Int.	Price	Change	High	Low	Est. vol.
926.50	926.25	-0.40	934.50	922.75	79,827	184,050	146070	28.4	-1.10	28.50	28.30
938.00	938.25	-1.55	944.00	933.00	2,470	12,616	20122	28.4	-1.10	28.50	28.30
<p> INDEX FUTURES S&P 500 Open/Set Price Change High Low Est. vol. Open Int. Dec 926.50 926.25 -0.40 934.50 922.75 79,827 184,050 Mar 938.00 938.25 -1.55 944.00 933.00 2,470 12,616 </p>											

Aug	2987.0	2988.0	-9.0	2987.0	2987.0	14.859	91,833	Sep	2931.00	2930.00	-20.0	2536.50	2487.00	5,061	19,012	■ Nikkei 225	Open Settle price	Change	High	Low	Est. vol.	Open Int.		
2942.5	2908.0	-6.5	2947.0	2947.0	28.55	2,754	24,934	■ SOFFEX	5330.0	5361.0	-1.0	5564.0	5426.1	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574	
■ DAX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1	5,572	24,286	Sep	18630.0	18640.0	+60.0	18630.0	18530.0	16,276	165,574
Sep	4164.0	4081.50	-13.0	4185.5	4048.0	20,219		Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574	
Dec	4200.0	4115.50	-7.30	4200.0	4065.0	18,722	5,222	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18630.0</td> <td>18640.0</td> <td>+60.0</td> <td>18630.0</td> <td>18530.0</td> <td>16,276</td> <td>165,574</td>	5,572	24,286	Sep	18630.0	18640.0	+60.0	18630.0	18530.0	16,276	165,574	
■ TOPIX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ HSI	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ S&P 500	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ FTSE 100	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ ASX 200	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ BSE SENSEX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ NSE SENSEX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ CSE SENSEX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ KSE SENSEX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ SSE SENSEX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.0</td><td>18640.0</td><td>+30.0</td><td>18730.0</td><td>18530.0</td><td>17,276</td><td>165,574</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.0</td> <td>18640.0</td> <td>+30.0</td> <td>18730.0</td> <td>18530.0</td> <td>17,276</td> <td>165,574</td>	5,572	24,286	Sep	18730.0	18640.0	+30.0	18730.0	18530.0	17,276	165,574
■ SHSE SENSEX	2942.5	2908.0	-6.5	2947.0	2947.0	28.55 <td>2,754</td> <td>24,934</td> <td>Oct</td> <td>5330.0</td> <td>5361.0</td> <td>-1.0</td> <td>5564.0</td> <td>5426.1<td>5,572</td><td>24,286</td><td>Sep</td><td>18730.</td></td>	2,754	24,934	Oct	5330.0	5361.0	-1.0	5564.0	5426.1 <td>5,572</td> <td>24,286</td> <td>Sep</td> <td>18730.</td>	5,572	24,286	Sep	18730.						

Stock	Price	Chg	Vol	High	Low	Open	Close
141 75 US	2.82	5.0	13	284	495	481	481
142 41 WSP	0.82	0.2	47	222	102	101	102
143 80 W	1.00	1.3	28	954	1120	1119	1119
144 75 W	0.92	4.7	17	28	19	19	19
145 41 WSP	1.20	2.1	17	2888	59	57	57
146 75 W	0.92	3.8	34	184	47	47	47
147 75 W	0.92	3.8	34	184	47	47	47
148 75 W	0.92	3.8	34	184	47	47	47
149 75 W	0.92	3.8	34	184	47	47	47
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151 75 W	0.92	3.8	34	184	47	47	47
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178 75 W	0.92	3.8	34	184	47	47	47
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186 75 W	0.92	3.8	34	184	47	47	47
187 75 W	0.92	3.8	34	184	47	47	47
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189 75 W	0.92	3.8	34	184	47	47	47
190 75 W	0.92	3.8	34	184	47	47	47
191 75 W	0.92	3.8	34	184	47	47	47
192 75 W	0.92	3.8	34	184	47	47	47
193 75 W	0.92	3.8	34	184	47	47	47
194 75 W	0.92	3.8	34	184	47	47	47
195 75 W	0.92	3.8	34	184	47	47	47
196 75 W	0.92	3.8	34	184	47	47	47
197 75 W	0.92	3.8	34	184	47	47	47
198 75 W	0.92</						

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NASDAQ NATIONAL MARKET

4 pm close August 23

[illegible]

4 pm close August 25

[illegible]

10

[illegible]

Company	Mid price	Change on day	Volume	High	Low	Market cap	Change on day	Volume	High	Low
ActivCard	US\$28.75		8	32.5	24.75	Lampco & Hulse		1600	34	26
Artech Systems	US\$15.5		9	15.5	9.25	US\$10.00	-0.125	11	11.25	9.125
FFH	US\$10		10	10	10	US\$11.25	0	9	25.125	24.5
Datamon	US\$4	+0.05	6000	71.5	4.5	US\$12.00	-0.125	0	6.125	5.375
Dr. Solomon's ADS	US\$1.5	-0.125	8	23.75	18.875	US\$14.5		100	1600	335

Lethargic US Rate worries cloud outlook for bourses

shares flat at midsession

AMERICAS

Wall Street put in a dull morning performance as blue chip and technology stock indexes edged only modestly higher, writes John Labate in New York.

By early afternoon the Dow Jones Industrial Average had risen 2.33 at 7,890.23 while the broader Standard & Poor's 500 moved 1.79 higher at 925.33. The technology weighted Nasdaq composite index proved stronger than the rest but added only 7.75 at 1,606.44.

"Last week was a battle," said John Olesky, senior equity trader at Morgan Stanley in New York. With the market swinging widely between bulls and bears, yesterday offered no clear indication as to where the market would head next, he added. Three days of 100 point-plus gains in the Dow last week were followed by a 127-point plunge on Thursday and a mixed market on Friday. "A lot of people finished last week somewhere between exhausted and confused," Mr Olesky added.

Among individual stocks, the pressure came off MCI, up 5 1/2 at \$50 after the apparent completion of its merger plans with British Telecom. But its long distance rivals AT & T and Sprint moved lower, AT & T lost 3 1/2 at \$40 1/2 and Sprint fell 5 1/2 at \$46 1/2. Some of the Baby Bells continued higher, as Nynex gained 5 1/2 at \$58 1/2.

Foods producer Hudson

Foods, which was the subject of a recall of its beef and the closing of one of its plants late last week, plunged 5 1/2 or more than 5 per cent at \$14 1/2.

Among Dow stocks, General Motors moved strongly higher on news that the motor manufacturer had named a new vice president of its European operations. Shares in GM gained 3 1/2 at \$86 1/2.

Technology issues also held some winners for the morning as networking leader Cisco Systems gained 1 1/2 at \$78 1/2. Semiconductor chip maker Intel, however, continued to drift lower from Friday's analyst downgrade, as the stock lost 1 1/2 at \$86.

TORONTO climbed in morning trade, extending Friday's late recovery in response to Wall Street's last-minute turnaround. The TSSE's 300 composite index advanced 35.50 to 6,748.28 by midday. Metal shares led the market, with the metals index rising 1.5 per cent. African Aluminium rose C\$1.50 to C\$31.75 after CFI First Boston said it had picked the base metal giant as its featured stock of the week.

Bank shares rose sharply ahead of profit reports that began today, with the index putting on almost 1.5 per cent.

The Royal Bank of Canada, the country's largest bank, rose C\$1.80 to C\$61 while Bank of Nova Scotia put on 80 cents to C\$63.

Caracas 2.3% higher

CARACAS bounded ahead at midsession with the IBC index up 230.75 or 2.3 per cent at 9,636.30.

The benchmark Electricidad de Caracas continued higher in further response to Friday's news that the National Securities Commission had authorised it to grant shareholders a one-for-six stock dividend.

Electricidad was up 10 bolivars at \$40 bolivars, pulling much of the rest of the market up with it.

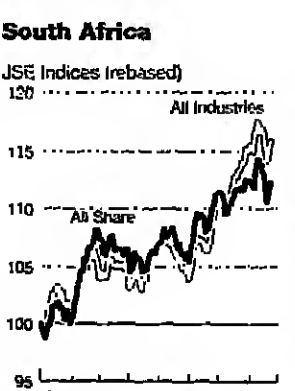
Merger news helps to boost South Africa

A rash of mergers and acquisitions boosted the South African market, with economic data also helping to fuel bullish sentiment. The all-share index ended up 50.7 at 7,398.6, industrials added 61.1 to 9,115.1 and golds added 4.3 to 1,026.4.

Sentrachem stock leapt after Dow Chemical of the US raised its buy offer to R11.75 from R10.50. The shares ended up 60 cents at R11.30.

Plate Glass & Shatterproof Industries surged on news that its global arm Belron International had bid C\$68m for Canada's Autotech. It closed up 250 cents at C\$128.00.

Finally, the electronics and information technology company, Dimension Data, rose after it said it had planned to buy Australia's Datacraft. Didata shares



added 95 cents to R20.00. News that GDP rose in the second-quarter compared with the first three months of this year, also provided support for the market.

EUROPE

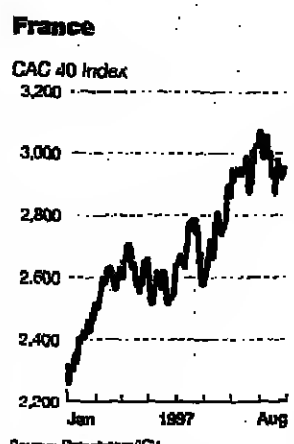
Concerns about the prospects for higher German interest rates after the release of economic data kept leading bourses under pressure. A modest recovery in the dollar provided a measure of support, however, as did Wall Street's early advance although most investors were convinced that further volatility was in prospect.

FRANKFURT was lower in late computer trade, but by a weak dollar in response to stronger than expected August inflation data and sharp revisions to June industrial production figures. The data fuelled speculation that the Bundesbank would soon move on rates to curb inflationary pressures. The bid-indexed DAX index closed 13.39 lower at 4,076.75 with many investors unwilling to adopt new positions ahead of today's Bundesbank report announcement.

Some banks were among the losers. Dresdner fell DM1.53 to DM74.87 and Deutsche Bank lost DM1.30 to DM111.65.

Lufthansa finished DM1.69 higher at DM37.99 ahead of half-year results due on Thursday, which were expected to include record earnings as a result of higher passenger figures, cost cutting and alliances.

PARIS ended slightly



lower with the CAC-40 index down 5.86 at 3,098.57 in this volume of only 6.3m shares. Thomson-CSF rose FRF8.30 or 5.4 per cent to FRF161 and Dassault Aviation climbed FRF55 to FRF1,335, extending gains made on Friday after the government said it would announce decisions on the future of the two companies by the end of next month.

Bic added 40 centimes at FRF48.00 after a volatile session sparked by a report that it was taking legal action to enforce an agreement reached in July to buy US pen manufacturer Sheaffer. Sheaffer decided on Friday on a management buy-out. Bic initially jumped to a high of FRF49.80 on news that it was raising its offer for Sheaffer, but the share tum-

bled off the high as the investors focused on the obstacles in the way of the acquisition, and its cost.

AMSTERDAM battled to stay in positive territory in dull trade and the AEX index finished just 3.77 ahead at 922.19, off a high of 941.95.

Publisher VNU notched up a 4.4 per cent rise or FI1.90 to FI45.60 ahead of the release of results today.

Aegon rose almost 2 per cent or FI3.10 to FI158.20. The insurer was boosted by weekend press coverage of its strong first-half profits and analysts' upgrades of its full-year forecasts.

Royal Dutch also rose sharply, helped by the firmer dollar and a report the oil giant is looking at participating in the later phases of developing a new gas field in Iran. The share added FI2.60 or 2.5 per cent to FI108.10.

ABN Amro continued the decline sparked by the release of its results last week, shedding another 80 cents to FI43.90.

ZURICH gave up an early advance to close broadly flat in cautious trade as the pharmaceutical sector recovered from Friday's losses, while financial issues lost markedly amid fears of rising interest rates. The SMI index edged 1.9 lower at 5,473.9.

Among the pharmaceuticals, Novartis bearers rose

FTSE Actuaries Share Indices

August 25	Index	Day's %	Change points	YTD %	at adj	Total rev (€m)
National & Regional Markets						
FTSE Europe 300	945.53	-0.29	-2.80	2.39	0.00	850.71
FTSE Europe 100	2205.24	-0.16	-3.44	0.00	0.00	850.71
FTSE Europe 300 Regional						
300 UK	955.49	+0.00	-0.00	3.40	0.00	854.21
300 France	944.32	-0.30	-2.88	1.81	0.00	844.52
300 Germany	955.85	-0.34	-3.22	1.98	0.00	844.52
300 Italy	929.83	-0.24	-2.28	2.88	0.00	854.21
FTSE Europe 300 Economic Sectors						
Resources	977.49	-0.48	-4.88	2.83	0.00	874.98
General industries	957.00	-0.80	-7.76	2.64	0.00	867.52
Consumer Goods	920.14	-0.05	-0.42	2.01	0.00	822.29
Services	962.70	-0.11	-1.12	2.35	0.00	867.75
Utilities	945.04	-0.10	-0.87	2.33	0.00	845.76
Financials	946.47	-0.71	-6.72	2.42	0.00	843.72

Source: Reuters. All values are in millions of pounds sterling. FTSE and Reuters are registered trademarks of the London Stock Exchange. The Financial Times "Europe" is a registered trademark of the Financial Times. All rights reserved. Market closed 23:55 UK.

SFR21 at SFR2,206 while Roche actuaries traded SFR50 higher at SFR1,350. In the banking sector, UBS lost SFR23 at SFR1,500 and CS Group was down SFR7.75 at SFR179.25.

Oerlikon-Bührle rebounded SFR9.50 to SFR173.50. Friday's confirmation that Ernst Thomke had resigned as CEO and chairman of Bally, the shoes and accessories subsidiary, was said to have removed an important uncertainty that had weighed on the shares in recent weeks.

Alusuisse lost SFR17 to SFR1,351 ahead of first-half figures expected today. VIENNA turned its attention to the banking sector and closed broadly higher, reconquering some of Friday's

4.2 per cent tumble. The ATX index ended the day at 1346.69 up 16.67 or 1.3 per cent.

Bank Austria preferred shares were sharply higher, jumping Sch99 or 8.3 per cent to Sch509. One trader said, however, that the bank itself appeared to be the main buyer in an operation that could be linked to plans this week to announce terms of the share swap as Bank Austria moves up outstanding Creditanstalt shares.

Based on yesterday's closing prices, Bank Austria might be targeting an exchange of 6 Bank Austria shares for every 5 Creditanstalt shares, the trader said. ATHENS added to Friday's losses in low turnover, with the construction sector regis-

tering the sharpest pull-back of 3.1 per cent, erasing almost all of last week's gains. The general index fell 27.83 to 1,664.99.

TEL AVIV was broadly lower ahead of the central bank's decision to raise interest rates by a steeper than expected 0.7 percentage point, which was announced after the market closed.

The Mifstamim index of the top 100 shares fell 3.92 or 1.3 per cent to 288.65, but in low turnover of Shk1,270.

Koor Industries, Israel's largest holding company, rose Shk7.45 to Shk380.02 amid rumours that foreign institutional investors were heavy buyers.

Israel Corp picked up Shk3.75 to Shk253.92 following recommendations from several analysts for its Tower Semiconductor subsidiary.

PRAGUE was lifted by a strong advance in CEZ, the electric utility, on strong demand by foreign investors looking for a cheap way into Czech blue chips other than Komercni, the commercial bank, and SPT Telecom.

The FX-60 index rose 7.2 or 1.3 per cent to 581.4.

CEZ rose Kcs74 koruna to Kcs1,054. Komercni Bank gained Kcs55 to Kcs1,926 while SPT, the national phone company, fell Kcs1 to Kcs4,309.

Written and edited by Michael Morgan and Graia Steyn

Jakarta and Bangkok tumble by more than 5%

ASIA PACIFIC

Investors punished Jakarta, Bangkok, Kuala Lumpur and Manila while other regional markets were narrowly mixed.

JAKARTA took another tumble as a further sell in blue chips was triggered by high interest rates, combined with concern over corporate earnings following the depreciation in the rupiah.

The composite index fell 31.75 or 5.5 per cent to 542.65, adding to Friday's 4.3 per cent plunge.

Analysts noted that at one stage the index fell more than 6 per cent to a low for the year of 534.41, but it subsequently picked up as some government institutions bought into the market in late trade.

Banking stocks were again hard hit, as were the retail and property sectors.

The heavily weighted Telkom fell Rp200 to Rp3,200 on continuing concern over its financial performance following the depreciation in the rupiah.

BANGKOK plummeted as currency concerns battered sentiment and investors worried about Thailand's ability to service its debts. The SET index retreated 28.55 or 5.3 per cent to 530.04, taking the fall over the last two trading days to more than 10 per cent.

Brokers said political concerns were also taking a toll. The coalition government looked shaky ahead of key debates on the economy and on constitutional change.

Banking shares were in the firing line again, with the sector losing more than 6 per cent. Bangkok Bank topped the active list, losing Bt12.00 to Bt31.

Blue chip shares were under pressure as foreigners sold. TelecomAsia fell Bt1.50 to Bt37.

MANILA was prey to currency concerns and interest rate worries, causing a steep decline in light volume. The main index fell 64.70 or 2.7 per cent to 2,364.03.

Property and banking shares bore the brunt of the interest rate concerns, with the property index losing 3.6 per cent. Ayala Land lost 0.75 pesos to 17.50 pesos.

KUALA LUMPUR dropped 2.3 per cent as foreigners were sellers and local investors remained sidelined, awaiting a further fall before they resumed buying.

The composite index closed 21.04 lower at 838.94. Among the key index stocks, Maybank - due to report annual results today - lost 70 cents to M\$21, still suffering from last week's Standard & Poor's downgrade. Tenaga, planning a M\$1bn Islamic bond issue, fell 25 cents to M\$9.50 as investors remained wary of its large foreign debt exposure.

TOKYO was mixed in thin trading, as foreign investors and domestic institutions continued to take profits on high technology blue chips and other leading exporters. Domestic demand-driven issues advanced, however, writes Gwen Robinson.

The Nikkei 225 average edged up 6.00 to 16,856.18 after moving between 18,530.36 and 18,740.57. The market shrugged off Friday's volatile session in New York and opened slightly higher on bargain-hunting after the 2.6 per cent plunge seen at the end of the week.

Domestic demand-driven issues, including general contractors and banks, maintained their recent popularity among domestic pension funds. But heavy selling of blue chip electricals hit the market in the early afternoon and wiped out some of the morning's gains. Shares subsequently fluctuated in a

narrow range in an increasingly cautious mood ahead of economic data to be published later in the week.

Other leading indices declined. The Topix index of all first-section stocks lost 1.67 to 1,454.06. The capital-weighted Nikkei 500 was off 0.13 at 284.41. Morning trading, but ended mixed. Fuji Bank was up Y20 at Y1,530 and Bank of Tokyo-Mitsubishi Y30 to Y2,260, but Sumitomo Bank fell Y10 to Y1,850 and Sakura Bank declined Y5 to Y745.

In Osaka, the OSE average fell 59.35 to 19,723.53 in volume of 49.4m shares.

HONG KONG rallied to a strong close after stuttering

during early trade while H-shares roared ahead as investors tried to put last week's currency-related troubles behind them.

The Hang Seng index gained 169.13 or 1.1 per cent, to close at 15,598.89 after sliding to a low of 15,321.96 in early trade. The H-share index soared 168.13 or 10.3 per cent to close at 1,727.00. Turnover was the second heaviest ever at HK\$37.3m.

Fears about an attack on the Hong Kong dollar sent interbank rates soaring early last week, prompting a 667.13 fall in the Hang Seng index.

Rates have softened since then but, analysts said, they may still take some time to

return to normal levels, brokers said.

Demand for China related issues picked up ahead of the forthcoming 15th Communist Party Congress in which, many investors believe, Beijing may adopt measures to reform its state-owned enterprises.

SYDNEY recovered some of the ground lost on Friday in cautious trade. The all ordinaries index rose 16.8 to 2,677.1 in light turnover.

Blue chips rose after a nervous start, with BHP adding 12 cents to A\$17.20. Foster's rose 2 cents to A\$2.62 despite reporting a drop of almost 15 per cent in annual earnings.

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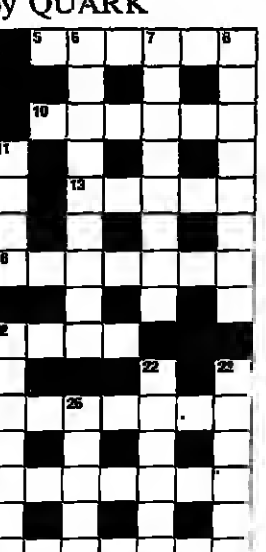
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CROSSWORD

No.9,463 Set by QUARK



ACROSS

- 1 Fruit produced in (6)
- 2 Get rid of ash-bin (unclutter) (6)
- 3 Original book (6)
- 4 This is ground of greyish-yellow colour (7)
- 5 Use money specifically to call crooked property dealer (4-6)
- 6 Flies put out as venomous (4)
- 7 A dip at the River Plate (7)
- 8 Raise fruit for the latest reports (7)
- 9 School books broken (4)
- 10 Feature about a badge of office (5)
- 11 A short drink of little importance? (5,4)
- 12 A group of detectives in charge, quite sharp (6)
- 13 Troop requisited with pass, observing this? (8)
- 14 Not a complicated hobby, in financial terminology (6,5)

DOWN

- 1 Fruit produced in (6)
- 2 Get rid of ash-bin (unclutter) (6)
- 3 Original book (6)
- 4 This is ground of greyish-yellow colour (7)
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Solution to Saturday's prize puzzle on Saturday September 6. Solution to yesterday's prize puzzle on Monday September 8.

FT/SP ACTUARIES WORLD INDICES

The FT/SP Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS															
Figures in parentheses show changes in dollar index															
	US Dollar Index	Day's %	Point	YTD %	Local Index	US Dollar Index	Day's %	Point	YTD %	Local Index	US Dollar Index	Day's %	Point	YTD %	Local Index
			Starting	Year	Old Index			Starting	Year	Old Index			Starting	Year	Old Index
Australia (78)	230.51	-1.1	212.91	171.06	217.78	205.03	-1.2	3.76	233.09	171.71	173.26	223.21	207.45	243.87	200.17
Austria (25)	190.57	-2.6	175.02	141.42	180.05	179.94	-3.9	1.83	195.73	162.81	145.48	167.43	167.32	206.00	174.70
Belgium (29)	232.37	-0.7	212.25	176.18	224.27	219.76	-2.1	3.11	236.11	213.31	177.72	226.88	226.42	261.11	211.37
Brazil (30)	266.18	-0.7	245.86	197.53	251.48	243.79	-0.4	1.37	268.00	250.32	199.19	256.54	536.96	322.44	172.54
Canada (126)	214.66	-0.2	198.27	158.30	202.81	218.71	-0.3	1.71	215.12	200.93	159.86	206.01	217.29	224.03	182.51
Denmark (32)	359.50	-0.5	360.13	288.34	368.37	387.72	-1.7	1.49	391.73	366.89	291.16	375.13	374.13	421.26	318.97
Finland (28)	250.97	-2.6	273.37	219.64	278.88	337.72	-3.7	1.63	303.93	283.38	228.90	295.05	330.80	314.06	205.98
France (83)	224.83	-0.3	207.72	166.89	212.47	215.99	-1.7	2.44	225.66	210.77	167.73	216.10	219.11	237.57	187.42
Hong Kong, China (66)	192.76	-1.2	495.15	366.53	507.80	554.07	-1.2	2.88	543.68	507.81	404.10	520.65	540.51	580.02	421.41
Indonesia (27)	177.23	-4.3	163.70	131.52	167.44	200.84	-4.7	2.23	186.32	173.03	137.81	177.38	306.09	254.90	168.14
Italy (31)	200.77	-1.4	192.34	171.34	197.41	200.84	-1.4	1.73	201.62	181.31	172.79	191.47	356.68	267.18	167.95
Japan (69)	97.93	-0.1	90.46	72.98	92.53	125.73	-1.3	0.83	97.99	91.15	102.78	105.75	102.78	173.26	76.99
Malaysia (148)	128.35	-2.1	118.35	95.25	121.26	95.25	-2.3	0.93	131.12	122.47	57.46	126.56	97.37	168.55	148.58
Malaysia (148)	394.59	-1.8	348.46	292.82	372.80	421.54	-1.1	1.66	400.82	374.38	297.92	383.84	426.22	605.88	363.83
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
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Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655.55	1349.59	1578.91	1542.50	1384.58	1136.55
Malaysia (148)	1734.55	-1.1	1657.33	1385.55	1685.55	1734.55	-1.1	1.47	1715.73	1655					